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ARNHOLD HOLDINGS LIMITED

安利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 102)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

- **Turnover up by 8% to HK\$418.2M**
- **Gross profit up by 17% to HK\$99.7M**
- **Outstanding order book maintained at HK\$174.4M**
- **Strong cash reserve for future growth opportunities**
- **Profit attributable to shareholders up by 30% to HK\$21.9M**

CHAIRMAN'S STATEMENT

Despite the difficult economic climate, the Group continued steady growth with turnover up by 8% to HK\$418.2M and a net profit of HK\$24.0M before tax, up by 41%.

* For identification purpose only

Some of the highlights from our Operating Divisions follow:

Plumbing Fixtures

Our Plumbing business continued strong growth in 2008 driven by increased activities in the Mainland. We opened a luxury bathroom showroom in Shanghai in October and have already seen encouraging results. We continue to achieve good results by focusing on the retail and refurbishment markets in Hong Kong, which are more stable in the current climate.

Tiles

Reasonable results were achieved by serving the renovation and institutional markets in Hong Kong and we have expanded our activities in the Mainland where we secured a number of prestigious projects including the IFC in Shanghai.

Marble Export

Some growth and increased margins were achieved in 2008 by focusing on value added products and production efficiencies. Our customers went through a de-stocking process in the second half of 2008 but we believe that this process is now complete.

Engineering

The division continues to focus on value added services in a competitive market. We made some progress in 2008 and secured a number of landmark projects including equipment for the Prince of Wales Hospital.

Building Materials Export

Turnover in this small unit increased by some 30% in 2008 as we concentrated on quality control and developing our product range which we believe positions us for further growth.

Over the past few years we have diversified our activities and expanded our coverage in Hong Kong, the Mainland and overseas. Whilst the current economic environment has created additional challenges, we are well positioned to “weather the storm”. We continue to focus on service, quality and relationships with our key customers which we believe will enable us to continue growth in the difficult years ahead.

RESULTS

The board of directors (the “Board”) of Arnhold Holdings Limited (the “Company”) is pleased to present the audited consolidated financial statements of the Company together with its subsidiaries (collectively the “Group”) for the year ended 31 December 2008, together with comparative figures for the corresponding period in 2007:

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the year ended 31 December	
		2008	2007
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	(2)	418,221	387,904
Cost of sales		(318,494)	(302,634)
Gross profit		99,727	85,270
Other revenues		4,091	5,588
Operating expenses		(79,827)	(75,697)
Gain on disposal of an investment property		94	439
Gain on disposal of an associate		–	2,667
Operating profit	(2)	24,085	18,267
Finance costs		(93)	(146)
Share of loss of associates		–	(1,101)
Profit before income tax	(3)	23,992	17,020
Income tax expense	(4)	(2,079)	(215)
Profit attributable to shareholders		<u>21,913</u>	<u>16,805</u>
Basic earnings per share	(5)	<u>9.73 cents</u>	<u>7.47 cents</u>
Diluted earnings per share	(5)	<u>9.47 cents</u>	<u>7.28 cents</u>
Proposed dividend		<u>12,391</u>	<u>9,913</u>
Proposed dividend per share		<u>5.5 cents</u>	<u>4.4 cents</u>

AUDITED CONSOLIDATED BALANCE SHEET

	At 31 December	
<i>Note</i>	2008	2007
	HK\$'000	HK\$'000
Non-current assets		
Investment properties	3,341	9,850
Property, plant and equipment	49,769	43,807
Lease prepayments	47,837	48,886
Available-for-sale financial assets	2,787	3,159
	<u>103,734</u>	<u>105,702</u>
Current assets		
Inventories	27,385	25,514
Trade and other receivables	(6) 107,008	115,177
Derivative financial instruments	371	2,597
Deferred income tax assets	–	1,000
Current income tax recoverable	1	–
Cash and cash equivalents	77,108	74,524
	<u>211,873</u>	<u>218,812</u>
Current liabilities		
Trade and other payables	(7) 78,946	104,822
Derivative financial instruments	4,413	58
Provisions	2,375	1,677
Current income tax liabilities	–	292
	<u>85,734</u>	<u>106,849</u>
Net current assets	<u>126,139</u>	<u>111,963</u>
Total assets less current liabilities	229,873	217,665
Non-current liabilities		
Deferred income tax liabilities	226	214
Net assets	<u>229,647</u>	<u>217,451</u>
Capital and reserves		
Share capital	22,530	22,530
Reserves		
Proposed final dividend	12,391	9,913
Others	194,726	185,008
Shareholders' funds	<u>229,647</u>	<u>217,451</u>

Notes:

(1) Basis of preparation and adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”)

The audited consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The accounting policies and methods of computation used in the preparation of these audited consolidated financial statements are consistent with those used in the 2007 annual financial statements except that the Group has changed certain of its accounting policies following its adoption of the new or revised standards and interpretations to the published standards which are relevant to its operations. The adoption of these new or revised standards and interpretations did not result in any substantial change to the Group’s accounting policies.

(2) Turnover and operating profit

An analysis of the Group’s turnover and contribution to operating results by principal activities and by principal markets is as follows:

	For the year ended 31 December			
	2008		2007	
	Turnover	Operating	Turnover	Operating
	HK\$’000	results	HK\$’000	results
		HK\$’000	HK\$’000	HK\$’000
Principal activities:				
Trading	260,013	50,194	241,573	39,768
Manufacturing and export	84,681	24,697	78,323	23,180
Retail and renovation	73,527	24,836	68,008	22,322
	418,221	99,727	387,904	85,270
Administrative and other expenses		(75,642)		(67,003)
Operating profit		24,085		18,267

For the year ended 31 December

	2008		2007	
	Turnover	Operating results	Turnover	Operating results
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal markets:				
Hong Kong and Macau	294,826	64,782	282,803	54,914
Mainland China	38,714	10,248	26,778	7,176
Overseas	84,681	24,697	78,323	23,180
	<u>418,221</u>	<u>99,727</u>	<u>387,904</u>	<u>85,270</u>
Administrative and other expenses		<u>(75,642)</u>		<u>(67,003)</u>
Operating profit		<u>24,085</u>		<u>18,267</u>

(3) Profit before income tax

Profit before income tax in the audited consolidated profit and loss account is stated after crediting/ (charging) the following items:

	For the year ended 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Crediting		
Interest income	1,506	1,540
Rental income from investment properties	358	883
Write back of provision for impairment of receivables	376	527
Write back of provision for stock obsolescence	–	94
Gain on disposal of an associate	–	2,667
Gain on disposal of an investment property	94	439
Charging		
Provision for impairment of receivables	(376)	(484)
Provision for stock obsolescence	(493)	(1,690)
Depreciation of property, plant and equipment	(3,722)	(3,625)
Amortisation of lease prepayments	(1,049)	(1,049)
	<u>(1,049)</u>	<u>(1,049)</u>

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (charged)/credited to the audited consolidated profit and loss account represents:

	For the year ended 31 December	
	2008	2007
	HK\$'000	HK\$'000
Current income tax		
Hong Kong profits tax	(126)	(468)
Overseas taxation	(941)	(958)
Deferred income tax	(1,012)	1,211
	<u>(2,079)</u>	<u>(215)</u>

(5) Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of HK\$21,913,000 (2007: Group's profit attributable to ordinary shareholders of HK\$16,805,000) and the weighted average number of 225,296,000 (2007: 224,951,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit attributable to ordinary shareholders of HK\$21,913,000 (2007: Group's profit attributable to ordinary shareholders of HK\$16,805,000) and the weighted average number of 231,374,000 (2007: 230,974,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

(6) **Trade and other receivables**

The aging analysis of trade and other receivables is as follows:

	As at 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	58,955	60,105
One to three months overdue	33,947	35,713
Three to twelve months overdue	3,022	8,597
Overdue more than twelve months	3,383	4,087
	<hr/>	<hr/>
Total trade and retention receivables	99,307	108,502
Provision for impairment of receivables	(1,368)	(1,368)
	<hr/>	<hr/>
Net trade and retention receivables	97,939	107,134
Prepayments and other receivables	9,069	8,043
	<hr/>	<hr/>
	107,008	115,177
	<hr/> <hr/>	<hr/> <hr/>

The Group normally allows a credit period ranging from 30 to 90 days. Debtors with balances that are long overdue are normally requested to settle all outstanding balances before any further credit is granted.

(7) **Trade and other payables**

The aging analysis of trade and other payables is as follows:

	As at 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	30,300	36,607
One to three months overdue	11,857	22,052
Overdue more than three months	2,102	4,198
	<hr/>	<hr/>
Total trade and bills payables	44,259	62,857
Accruals and others payables	27,044	30,671
Advances received from customers	7,643	11,294
	<hr/>	<hr/>
	78,946	104,822
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group continued its focus on the higher added value opportunities within the building materials and engineering equipment fields and especially the retail of plumbing fixtures and the manufacturing and export of building materials.

During the year the Group recorded a turnover of HK\$418.2 million with a gross profit of HK\$99.7 million (2007: HK\$387.9 million and HK\$85.3 million respectively). Gross profit margin improved from 22.0% to 23.9% as a result of our focus on these higher value added activities. Operating expenses increased to HK\$79.8 million (2007: HK\$75.7 million) mainly due to an increase in staff compensation and the additional expenses of our new retail shop in Shanghai. As a result, the Group's profit attributable to shareholders for the year improved to HK\$21.9 million (2007: HK\$16.8 million).

We improved our market coverage with new products and a wider customer base. Despite the recent economic crisis, outstanding orders on hand remain stable at HK\$174.4 million (At December 2007: HK\$174.3 million) with gross margins rising slightly.

Segmental Information

Revenue from trading operations increased by HK\$18.4 million to HK\$260.0 million with the gross profit contribution increasing by HK\$10.4 million to HK\$50.2 million (2007: HK\$241.6 million and HK\$39.8 million respectively). During the year, residential property development in Hong Kong remained at a low level, but we improved our results by expanding our product range and through better market coverage in the Mainland.

Revenue from manufacturing and export increased from HK\$78.3 million in 2007 to HK\$84.7 million in 2008. We expect opportunities to improve as our overseas customers complete their de-stocking process and we expand our product ranges to increase market share.

During the year the renovation market in Hong Kong slowed down but we still maintained some growth through our retail outlets and dealer sales. Turnover increased by 8.1% from HK\$68.0 million in 2007 to HK\$73.5 million in 2008 and gross profit increased from HK\$22.3 million in 2007 to HK\$24.8 million.

Disposal of an associate

On 11 January 2008, the Group disposed of its entire interest in the capital of Kingspan China Limited (“KCL”), an associate company in which the Group had a 20% equity interest, whereby the Group transferred its entire interest represented by 2,000 ordinary shares in KCL to Kingspan Holdings (Insulation) Limited (formerly known as Kooltherm Holdings Limited). No gain or loss arose in this disposal and, upon completion, KCL is no longer an associate of the Group.

Foreign Exchange Exposure and Financial Hedging

The Group manages its risk exposure to foreign currency fluctuations and forward exchange contracts have been arranged with the Group’s principal bankers to mitigate exchange risks. Further information of the forward exchange contracts is disclosed in the notes to the financial statements.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and zero gearing as at year end (At 31 December 2007: Nil). The Group remained conservative in working capital management, and generated a positive cash flow of HK\$15.7 million (At 31 December 2007: HK\$12.0 million) from operating activities with cash balances of HK\$77.1 million as at year end (At 31 December 2007: HK\$74.5 million). Most of the Group’s cash balances are placed in time deposits with reputable financial institutions. We will continue to manage our cash flow cautiously and expect to meet our future financial requirements by internal resources and bank credit facilities.

Contingent Liabilities

Certain subsidiaries have given undertakings to the banks that they will perform certain contractual financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2008, the amount of guarantees outstanding was HK\$4.5 million (At 31 December 2007: HK\$3.0 million).

Banking facilities with assets pledged

A property with net book value of HK\$49.0 million at year end held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of 2008, the Group had approximately 430 employees in the Mainland and approximately 137 employees in Hong Kong and Macau. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. Under the existing share option scheme of the Group, subject to compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Directors were authorised to grant share options to eligible persons as incentives. Details of share options granted are disclosed in the Directors’ Report annexed to the 2008 annual report to be sent to the shareholders in due course.

Outlook

The Group achieved reasonable growth in 2008 and will continue to focus on improving customer service and market coverage. The global financial crises will make the coming year an extremely challenging one, but with the support of our well experienced management team, and a clear focus, we remain conservatively optimistic for 2009.

ANNUAL GENERAL MEETING

The 2009 annual general meeting of the Company (“2009 AGM”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 14 May 2009 at 12:00 noon. Notice of the 2009 AGM will be published and sent to the shareholders of the Company in due course.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$5.5 cents per ordinary share, totalling HK\$12,391,000 for the year ended 31 December 2008 (2007: final dividend of HK\$4.4 cents per ordinary share, totalling HK\$9,913,000) subject to the approval of the Company’s shareholders at the 2009 AGM. If approved, the final dividend will be paid on or about 21 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 May 2009 to 14 May 2009 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the final dividend and to determine the entitlement to attend and vote at the 2009 AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Unit 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 8 May 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling its responsibilities to shareholders.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules which came into effect in January 2005. Throughout the year, the Group has complied with all the code provisions of the Code except that:

- non-executive directors are not appointed for a specific term and no specific provisions are available under the bye-laws of the Company (the "Bye-laws") where directors are obliged to retire by rotation at least once every three years. To ensure the smooth running of the Company and the continuous adhering to the strategic view of the Company, the Board believes that it is more practical for the Chairman/Managing Director not to be subject to retirement by rotation. Though the Bye-laws deviate from the Code, the Board considers it appropriate as all other Directors including those non-executives, at present are effectively subject to retirement by rotation at least once every three years. A retiring director is eligible for re-election;

- the Company has not adopted the terms of reference of the Remuneration Committee as prescribed in the Code in full but has duly adopted its own terms of reference that better suits the practical situation of the Company. Based on the recommendations of the Audit Committee, the Board considers that the key responsibilities of the Remuneration Committee shall be focused on assessing the reasonableness of the remuneration of the directors, in particular those who are connected or associated with substantial shareholders of the Company. The Board believes that such arrangement a) will maintain a formal and transparent procedure for existing policy on executive directors' remuneration and for fixing the remuneration packages for all directors; b) will not affect the Company in providing transparent information of the directors' remuneration to the public; c) will give adequate authority to the Remuneration Committee to protect the interest of the Company and the minority shareholders; d) will enable the Company to maintain a reasonable balance of cost and benefit.

Further details of the Company's compliance with the Code are published in the Corporate Governance Report annexed to the 2008 annual report to be sent to the shareholders in due course.

PUBLICATION ON WEBSITES

This announcement is also published on the websites of the Company (www.arnhold.com.hk) and the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2008 with the directors.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors of the Company are Messrs. Michael John Green, Daniel George Green and Lai Ka Tak, Patrick; the non-executive directors are Messrs Augustus Ralph Marshall (Mr Lim Ghee Keong being the alternate director of Mr Augustus Ralph Marshall) and Christopher John David Clarke; the independent non-executive directors are Messrs Owen Mark Lewellin Rhys, Thaddeus Thomas Beczak and Simon Murray.

On behalf of the Board

Michael John Green

Chairman

Hong Kong, 26 March 2009