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**ARNHOLD HOLDINGS LIMITED**

**安利控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 102)**

**DISCLOSEABLE TRANSACTION  
DISPOSAL OF 40% OF THE ENTIRE  
ISSUED SHARE CAPITAL OF  
BOSTIK HOLDING HONG KONG LIMITED**

Reference is made to the Company's announcement and circular on 14 March 2006 and 4 April 2006 regarding the formation of a joint venture company between the Parties.

On 23 July 2007, ACL, a wholly owned subsidiary of the Company has entered into a Deed with Bostik and Bostik (HK), to dispose of the Sale Shares together with the Debt, at an aggregate consideration of HK\$11,400,000. Upon completion of the Disposal, Bostik (HK) will become wholly owned by Bostik and cease to be an associate of the Company.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing further information of the Disposal required under Rule 14.38 of the Listing Rules will be despatched to the Shareholders as soon as possible.

Reference is made to the Company's announcement and circular on 14 March 2006 and 4 April 2006 regarding the formation a joint venture company between the Parties.

\* *for identification purpose only*

# **DEED OF TERMINATION AND SETTLEMENT DATED 23 JULY 2007**

## **Parties**

- (1) ACL, a wholly owned subsidiary of the Company (as vendor)
- (2) Bostik (as purchaser)
- (3) Bostik (HK), a joint venture company which is owned as to 60% by Bostik and 40% by ACL

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, Bostik and its ultimate beneficial owners are third parties independent of and not connected with the Company or the connected persons (as defined in the Listing Rules) of the Company and its subsidiaries and the Company's investment in Bostik (HK) is accounted for as an investment in associate.

## **Interest being disposed**

Pursuant to the Deed, ACL has agreed to dispose of and Bostik has agreed to acquire:

- (1) the Sale Shares, being 4,000 shares of HK\$1 each of Bostik (HK), representing 40% of the entire issued share capital of Bostik (HK); and
- (2) the Debt owed and payable by Bostik (HK) to ACL in the sum of HK\$11,396,000.

## **Consideration**

The total consideration for the Disposal of HK\$11,400,000 comprised of HK\$4,000 for the Sale Shares and HK\$11,396,000 for the Debt. The total consideration will be payable in cash by way of telegraphic transfer on 1 August 2007.

ACL shall enter into a deed of assignment with Bostik, pursuant to which ACL shall assign the Debt due and owing to ACL to Bostik pursuant to the Deed upon completion.

The total consideration for the Disposal is determined after arms length negotiation between the Parties on normal commercial terms, having taking into account the audited consolidated net liabilities of Bostik (HK) attributable to the Company as at 31 December 2006 of approximately HK\$1,763,000. The Directors consider that the total consideration and the terms of the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **Completion**

Completion of the Disposal will take place on 1 August 2007.

Upon completion of the Disposal,

- (1) Bostik (HK) will become wholly owned by Bostik and cease to be an associate of the Company;
- (2) any claims, obligations and liabilities in connection with the Joint Venture Documentation will be waived and released by the Parties from each other;
- (3) the joint venture in respect of Bostik (HK) will be terminated and all obligations and rights arising between the Parties under the Joint Venture Documentation, including the put and call option under the pull and call option deed entered into between the Parties on 8 March 2006, will be terminated pursuant to the Deed; and
- (4) all the existing directors of Bostik (HK) nominated by ACL shall resign as directors of Bostik (HK).

## **Information on the Parties and Bostik (HK)**

ACL is a wholly-owned subsidiary of the Company engaged principally in trading of building materials and engineering equipment. These include plumbing fixtures, tiles, composite marbles, air handling equipment and insulation materials; and the processing of natural marble products. Upon completion, the shareholders agreement entered into between the Parties on 8 March 2006 will be terminated and the Arnhold Distribution Business will be retained by Bostik (HK), the Company will continue its other principal activities as stated in the above.

Bostik's principal business activities are the manufacturing and distribution of sealants and adhesives. Bostik is a member of the French group of Total and has access to new and innovative technologies which influence the development of products that are environmentally friendly and in line with changing regulations.

Bostik (HK) is a joint venture incorporated in Hong Kong on 17 January 2006 which is owned as to 60% by Bostik and 40% by ACL and is principally engaged in the holding and operation of a manufacturing plant in the PRC and the distribution business in Guangdong Province, Hong Kong and Macau. ACL has contributed approximately HK\$11,396,000 to Bostik (HK) by way of shareholder's loan since its formation.

According to the latest audited financial statements of Bostik (HK), the net loss for the period commencing from its date of incorporation to 31 December 2006 was approximately HK\$4,416,385. The audited total assets of Bostik (HK) as at 31 December 2006 was approximately HK\$16,008,837 and the audited net liabilities of Bostik (HK) was approximately HK\$4,406,385.

## **REASON AND BENEFIT OF THE DISPOSAL**

The Group is engaged principally in trading of building materials and engineering equipment.

As a result of a strategy review, Bostik has offered to purchase in full ACL's 40% holding in Bostik (HK). Having considered the net loss of approximately HK\$4,416,385 and the audited net liabilities of Bostik (HK) of approximately HK\$4,406,385 as disclosed above and the investment made in Bostik (HK) is expected to be much higher than the original estimated amount, the Board has considered that it would be in the best interest of the Company and its Shareholders as a whole to exit from the joint venture instead of increasing the investments in project as required by Bostik in its revised strategy to minimize any future loss to the Group. In view of the total consideration offered by Bostik, the Directors consider that the Disposal is a good opportunity for the Group to realize its investment in Bostik (HK). The Directors believe that the terms of the Deed, which were negotiated on an arm's length basis, are fair and reasonable and the Disposal is in the best interest of the Company and its shareholders as a whole.

The expected gain to be derived from the Disposal before expenses will amount to approximately HK\$1,767,600, which represents the net amount of the consideration of the Disposal of HK\$11,400,000 and the 40% share of net liabilities of Bostik (HK) attributable to the Company as at 31 December 2006 of approximately HK\$1,763,000 together with the Debt.

## **USE OF PROCEEDS**

The net proceeds from the Disposal of approximately HK\$10,980,000 will be used as general working capital of the Group and for future investment and expenses of the business of the Group.

## **LISTING RULES IMPLICATIONS**

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing further details of the Deed and the Disposal as required under Rule 14.38 of the Listing Rules will be dispatched to the Shareholders as soon as practicable for information purpose.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“ACL”	Arnhold & Company, Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
“Arnhold Distribution Business”	the business of distributing Bostik construction chemicals products and providing related technical services in Hong Kong and Macau
“Board”	the board of Directors
“Bostik”	Bostik Australia Pty Ltd, a company incorporated in Australia
“Bostik (HK)”	Bostik Holding Hong Kong Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 60% by Bostik and 40% by ACL
“Company”	Arnhold Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Debt”	the total amount owed and payable by Bostik (HK) to ACL as at 1 August 2007, being the total amount of HK\$11,396,000
“Deed”	the deed of termination and settlement entered into between the Parties and Bostik (HK) in relation to the Disposal and the assignment of Debt
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Debt
“Group”	the Company and its subsidiaries
“Guangdong Province”	the Guangdong Province of the PRC

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Joint Venture Documentation”	collectively (1) the shareholders agreement and (2) the put and call option deed entered into between the Parties on 8 March 2006
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Parties”	collectively ACL and Bostik (HK)
“PRC”	The People’s Republic of China
“Sale Shares”	the 4,000 shares of HK\$1 each of Bostik (HK), representing 40% of the entire issued share capital of Bostik (HK), being all the equity interest owned by the ACL in Bostik (HK)
“Share(s)”	shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Arnhold Holdings Limited**  
**Lai Ka Tak, Patrick**  
*Company Secretary*

Hong Kong, 25 July 2007

*As at the date of this announcement, the executive Directors 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 alternate Director to Mr Augustus Ralph Marshall) and Christopher John David Clarke and the independent non-executive Directors are Messrs. V-Nee Yeh, Thaddeus Thomas Beczak and Simon Murray.*