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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Arnhold Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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**

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context indicates otherwise:

“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
“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 of debt owed and payable by Bostik (HK) to ACL as at 1 August 2007, being HK\$11,396,000
“Deed”	the deed of termination and settlement entered into between the Parties in relation to the Disposal and the assignment of Debt
“Director(s)”	the director(s) 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Venture Documentation”	collectively (1) the shareholders agreement entered into between the Parties and (2) the put and call option deed entered into between ACL and Bostik on 8 March 2006

DEFINITIONS

“Latest Practicable Date”	13 August 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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, Bostik (HK) and Bostik
“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 prior to completion of the Disposal by ACL in Bostik (HK)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	shares of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



ARNHOLD HOLDINGS LIMITED

安利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 102)

Executive Directors:

Michael John Green (*Chairman*)

(also as alternate Director to Simon Murray)

Daniel George Green (*Deputy Managing Director*)

Lai Ka Tak, Patrick

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Non-executive Directors:

Augustus Ralph Marshall

Lim Ghee Keong

(alternate Director to Augustus Ralph Marshall)

Christopher John David Clarke

Principal Office in Hong Kong:

6th Floor

Victoria Centre

15 Watson Road

North Point

Hong Kong

Independent Non-executive Directors:

V-Nee Yeh

Thaddeus Thomas Beczak

Simon Murray

14 August 2007

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 23 July 2007, ACL, a wholly owned subsidiary of the Company, 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. The Disposal was completed on 1 August 2007, whereupon Bostik (HK) became wholly owned by Bostik and ceased to be an associate of the Company.

* *for identification purpose only*

LETTER FROM THE BOARD

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules which is subject to notification and publication requirements. The purpose of this circular is to provide you with further information regarding the Disposal.

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, prior to the Disposal, was 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. The Company's investment in Bostik (HK) was accounted for as an investment in associate before completion of the Disposal.

Interest being disposed

Pursuant to the Deed, ACL agreed to dispose of and Bostik 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 was paid in cash by way of telegraphic transfer on 1 August 2007.

ACL entered into a deed of assignment with Bostik on 1 August 2007, pursuant to which ACL assigned the Debt due and owing to ACL to Bostik.

LETTER FROM THE BOARD

The total consideration for the Disposal was determined after arms length negotiation between the Parties on normal commercial terms, having taken 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 considered that the total consideration and the terms of the Disposal were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Completion

As the Disposal was completed on 1 August 2007,

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

Information on the Parties

ACL is a wholly-owned subsidiary of the Company engages 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. As the Disposal was completed on 1 August 2007, the shareholders agreement entered into between ACL and Bostik on 8 March 2006 was terminated and the Arnhold Distribution Business has been retained by Bostik (HK), the Company will continue its other principal activities as stated 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.

LETTER FROM THE BOARD

Bostik (HK) is a joint venture incorporated in Hong Kong on 17 January 2006 which was owned as to 60% by Bostik and 40% by ACL before 1 August 2007, it principally engages 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 shareholders' 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 HK\$4,416,385. The audited total assets of Bostik (HK) as at 31 December 2006 was HK\$16,008,837 and the audited net liabilities of Bostik (HK) was HK\$4,406,385.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group engages principally in the 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 HK\$4,416,385 and the audited net liabilities of Bostik (HK) of HK\$4,406,385 as disclosed above and the investment made in Bostik (HK) was expected to be much higher than the original estimated amount, the Board considered that it would be in the best interest of the Company and its Shareholders as a whole to exit from the joint venture operation 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 considered that the Disposal was a good opportunity for the Group to realize its investment in Bostik (HK). The Directors believed that the terms of the Deed, which were negotiated on an arm's length basis, were fair and reasonable and the Disposal was in the best interest of the Company and its Shareholders as a whole.

USE OF PROCEEDS

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

LETTER FROM THE BOARD

EFFECT OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The gain derived from the Disposal before expenses amounted to approximately HK\$1,767,000, which represents the net amount of the consideration of the Disposal of HK\$11,400,000 and 40% share of the net liabilities of Bostik (HK) attributable to the Company as at 31 December 2006 of approximately HK\$1,763,000 together with the Debt. As a result, the consolidated net assets of the Group were increased by approximately HK\$1,767,000 after the Disposal. Although the Disposal resulted in a disposal of an associate of the Company, the Company has received a net proceeds of approximately HK\$10,980,000 from the Disposal and accordingly the Directors considered that there was not any material effect on the earnings, assets and liabilities of the Company as a result of the Disposal.

GENERAL

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules which is subject to notification and publication requirements.

Your attention is also drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Lai Ka Tak, Patrick
Executive Director

1. RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this document misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interests of the Directors in the Shares and underlying Shares of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

	Number of shares held					Total interests	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Trusts and similar interests	Equity derivatives (Note iii)		
<i>Executive Directors:</i>							
Michael John Green	1,272,000	-	-	166,093,617 (Note i)	-	167,365,617	74.42%
Daniel George Green	-	-	-	166,093,617 (Note ii)	5,400,000 (Note iv)	171,493,617	76.25%
Lai Ka Tak, Patrick	-	-	-	-	5,000,000 (Note v)	5,000,000	2.22%
<i>Non-executive Directors:</i>							
Christopher John David Clarke	200,000	-	-	-	-	200,000	0.09%
Augustus Ralph Marshall	-	-	-	-	-	-	-
Lim Ghee Keong (alternate director)	-	-	-	-	-	-	-
<i>Independent non-executive Directors:</i>							
V-Nee Yeh	74,444	-	-	-	-	74,444	0.03%
Thaddeus Thomas Beczak	-	-	-	-	-	-	-
Simon Murray	343,487	-	-	-	-	343,487	0.15%

Notes:

- (i) Such shares were held through corporations on behalf of the Michael Green Family Trust.
- (ii) Such shares were held through corporations on behalf of the Michael Green Family Trust in which Mr Daniel George Green has a beneficial interest.
- (iii) These represented interests of share options granted to the Directors under a share option scheme to subscribe for Shares.
- (iv) Among these share options:
 - a. 1,200,000 options were granted on 18 September 2003 and can be exercised in two instalments, 50% of which at any time between 1 September 2005 and 30 August 2010 and the remaining 50% at any time between 1 September 2006 and 30 August 2010;
 - b. 2,000,000 options were granted on 19 November 2004 and can be exercised in two instalments, 50% of which at any time between 1 November 2006 and 30 August 2010 and the remaining 50% at any time between 1 November 2007 and 30 August 2010;
 - c. 2,200,000 options were granted on 21 November 2005 and can be exercised in two instalments, 50% of which at any time between 1 November 2007 and 30 August 2010 and the remaining 50% at any time between 1 November 2008 and 30 August 2010.
- (v) Among these share options:
 - a. 1,500,000 options were granted on 18 September 2003 and can be exercised in two instalments, 50% of which at any time between 1 September 2005 and 30 August 2010 and the remaining 50% at any time between 1 September 2006 and 30 August 2010;
 - b. 1,700,000 options were granted on 19 November 2004 and can be exercised in two instalments, 50% of which at any time between 1 November 2006 and 30 August 2010 and the remaining 50% at any time between 1 November 2007 and 30 August 2010;
 - c. 1,800,000 options were granted on 21 November 2005 and can be exercised in two instalments, 50% of which at any time between 1 November 2007 and 30 August 2010 and the remaining 50% at any time between 1 November 2008 and 30 August 2010.

Save as disclosed above, so far as the Company is aware, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) for which (a) notification shall be given to the Company or the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including those interests and short positions which the Directors and chief executives are supposed or deemed to be holding or owning pursuant to the provisions of the SFO); or (b) registration shall be made in the register in accordance with Section 352 of the SFO; or (c) notification shall be made to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, interests or short positions held by any individual or company, other than the Directors or chief executive of the Company, for which disclosure shall be made to the Company or the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or any beneficial interests representing 5% or more of the issued share capital of the Company directly or indirectly which were recorded in the register kept by the Company under section 336 of the SFO, were as follows:

Name	Number of Shares	Nature of interest	Percentage of shareholding
Pacific Investments (BVI) Limited	16,957,431	Corporate	7.54%

Pacific Investments (BVI) Limited is a wholly-owned subsidiary of Usaha Tegas Sdn. Bhd.

Saved as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, there was no other person who had any interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 or 3 of Part XV of the SFO or who owns any beneficial interests representing 5% or more of any class of shares or warrants or attached with a right to vote at any of the shareholders' general meeting of the Company.

- (c) As at the Latest Practicable Date, so far as is known to the Directors, no person (including a Director or chief executive of the Company) was, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the subsidiaries of the Company.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and each of their respective associates was considered to have an interest in a business which competes or is likely to compete, enter directly or indirectly, with the business of the Group other than those business to which the Directors and their associates who are appointed to represent the interests of the Company and/or the Group.

6. MISCELLANEOUS

- (a) The qualified accountant and secretary of the Company is Mr Lai Ka Tak Patrick. He is graduated from the Hong Kong Polytechnic and the University of Warwick with a professional diploma in management accountancy and a master's degree in business administration. He is an associate member of the Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal office in Hong Kong is situated at 6th Floor, Victoria Centre, 15 Watson Road, North Point, Hong Kong. The address of the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, is at 46/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.