ARNHOLD HOLDINGS LIMITED
安利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 102)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board") of Arnhold Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated financial statements of the Company together with its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 (the "Period"), together with comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 2007

		(Unaudited)	
		Six months ended 30 June 2007	Six months ended 30 June 2006
	Note	***HK$'000***	*HK$'000*
Turnover	*(2)*	**159,067**	140,571
Cost of sales		**(123,371)**	(110,059)
Gross profit		**35,696**	30,512
Other revenues		**2,988**	3,785
Operating expenses		**(33,193)**	(32,664)
Operating profit		**5,491**	1,633
Finance costs		**(144)**	(58)
Share of loss of associates		**(577)**	(688)
Profit before income tax	*(3)*	**4,770**	887
Income tax expense	*(4)*	**(977)**	(139)
Profit attributable to shareholders		**3,793**	748
Basic earnings per share (cents)	*(5)*	**1.69**	0.33
Diluted earnings per share (cents)	*(5)*	**1.65**	0.33
Dividend		**–**	–
Dividend per share		**–**	–

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Note	(Unaudited) At 30 June 2007 HK$'000	At 31 December 2006 HK$'000
Non-current assets			
Investment properties		**14,750**	14,750
Property, plant and equipment		**44,860**	44,883
Lease prepayments		**49,410**	49,935
Interest in associates		**24**	5,102
Available-for-sale financial assets		**2,542**	2,318
Trade and other receivables	*(6)*	**87**	467
		111,673	117,455
Current assets			
Non-current assets held for sale		**9,184**	–
Inventories		**20,383**	25,798
Construction contracts		**–**	18
Trade and other receivables	*(6)*	**63,257**	70,831
Derivative financial instruments		**983**	1,063
Current income tax recoverable		**–**	22
Cash and cash equivalents		**50,184**	52,702
		143,991	150,434
Current liabilities			
Trade and other payables	*(7)*	**49,454**	66,394
Derivative financial instruments		**474**	368
Provisions		**1,565**	1,683
Current income tax liabilities		**293**	–
		51,786	68,445
Net current assets		**92,205**	81,989
Total assets less current liabilities		**203,878**	199,444
Non-current liabilities			
Deferred income tax liabilities		**425**	425
Net assets		**203,453**	199,019
Capital and reserves			
Share capital		**22,490**	22,450
Reserves		**180,963**	176,569
Shareholders' funds		**203,453**	199,019

Notes:

(1) Basis of presentation and accounting policies

This unaudited condensed consolidated financial statements for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies adopted are consistent with those of 2006 annual financial statements, except that the Group has adopted the following new standards, amendments to standards and interpretations (collectively referred to "new HKFRSs") issued by the HKICPA which are mandatory for financial year ending 31 December 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs has no material impact on the Group other than certain additional disclosure requirements which will be included in the consolidated financial statements for the year ending 31 December 2007.

The Group has not early adopted other new HKFRSs that have been issued but which are not yet effective for the accounting period ending 31 December 2007. The adoption of these new HKFRSs will not result in substantial changes to the Group's accounting policies.

The Group financial statements include the Company and its subsidiaries up to 30 June 2007. The Group financial statements also include the Group's share of the post acquisition profits less losses, and reserves, of its associates.

(2) Turnover

An analysis of the Group's turnover and contribution to the Group's results by business segments (primary reporting segment) is set out below:

	(Unaudited) Six months ended			
	30 June 2007		(As restated) 30 June 2006	
	Turnover	**Operating results**	Turnover	Operating results
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Principal activities:				
Trading	**103,706**	**17,990**	111,816	20,403
Manufacturing and export	**27,891**	**8,826**	12,973	4,527
Retail and renovation	**27,470**	**8,880**	15,782	5,582
	159,067	**35,696**	140,571	30,512
Administrative and other expenses		**(30,205)**		(28,879)
Operating profit		**5,491**		1,633
Finance costs		**(144)**		(58)
Share of loss of associates		**(577)**		(688)
Profit before income tax		**4,770**		887
Income tax expense		**(977)**		(139)
Profit attributable to shareholders		**3,793**		748

From 2007 onwards, the Group has re-organised its operations around three business segments. The segmental analysis above has therefore been restated and the original two segments (being the trading in and the supply of building products and engineering equipment) have been replaced by (i) trading (ii) manufacturing and export and (iii) retail and renovation operations. Management believes that this analysis better reflects the way in which the business is now managed and its future strategic direction.

(3) Profit before income tax

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

	(Unaudited) Six months ended 30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Crediting		
Write back of provision for impairment of receivables	**463**	60
Interest income	**690**	859
Rental income from investment properties	**392**	334
Charging		
Depreciation of property, plant and equipment	**(1,782)**	(1,387)
Amortisation of lease prepayments	**(525)**	(507)
Impairment loss on property held for sale	**–**	(1,210)
Loss on disposal of a subsidiary	**–**	(503)

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the Period (2006: 17.5%). Taxation on overseas profits has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	(Unaudited) Six months ended 30 June 2007 *HK$'000*	30 June 2006 *HK$'000*
Current income tax		
Hong Kong profits tax	**327**	52
Overseas taxation	**650**	87
	977	139

(5) Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of HK$3,793,000 (2006: Group's profit attributable to ordinary shareholders of HK$748,000) and the weighted average of 224,751,801 (2006: 224,496,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share is based on the Group's profit attributable to ordinary shareholders of HK$3,793,000 (2006: Group's profit attributable to ordinary shareholders of HK$748,000) and the weighted average of 230,368,590 (2006: 225,147,200) 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:

	(Unaudited) At 30 June 2007 *HK$'000*	At 31 December 2006 *HK$'000*
Current	**30,357**	35,368
One to three months overdue	**19,652**	20,362
More than three months overdue but less than twelve months overdue	**7,608**	3,123
Overdue more than twelve months	**3,992**	13,047
Total trade and retention receivables	**61,609**	71,900
Less: provision for impairment of receivables	**(1,087)**	(3,039)
	60,522	68,861
Prepayments and other receivables	**2,822**	2,437
	63,344	71,298
Less: non-current portion	**(87)**	(467)
	63,257	70,831

Debts from construction contracts are due when architect certificates are issued. For other debtors, the Group normally allows a credit period ranging from 30 to 60 days. Debtors with long overdue balances are normally requested to settle all outstanding balance before any further credit is granted.

(7) Trade and other payables

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

	(Unaudited) At 30 June 2007 *HK$'000*	At 31 December 2006 *HK$'000*
Due within one month or on demand	**19,738**	25,794
Due after one month but within three months	**9,617**	7,519
Due after three months	**1,032**	2,287
Total trade and bills payables	**30,387**	35,600
Accruals and other payables	**15,744**	26,588
Advances received from customers	**3,323**	4,206
	49,454	66,394

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The Group continued to be engaged principally in its core business of trading of building materials and engineering equipment. The Group also established a processing factory in the PRC to process and export marble products.

During the Period, the Group recorded a turnover of HK$159.1 million with gross profit of HK$35.7 million (2006: HK$140.6 million and HK$30.5 million respectively). The improvement was mainly attributable to the increase in turnover of tiles trading, marble export and retail operations. Gross profit margin improved from 21.7% to 22.4% as a result of the Group's focus on high value added manufacturing and retail activities. Operating expenses increased slightly to HK$33.2 million (2006: HK$32.7 million) mainly because of the increase in staff compensation and depreciation charges of the marble factory. After taking into account the share of loss of HK$0.6 million (2006: HK$0.7 million) of an associate, the Group's profit attributable to shareholders for the Period improved to HK$3.8 million (2006: HK$0.7 million).

The Group continued to consolidate its market position in Hong Kong and successfully enhanced its coverage in the Mainland and Macau. Significant growth was also achieved in its manufacturing and export operations. As a result, the Group's outstanding orders on hand at the end of Period amounted to HK$191.5 million, representing an increase of 16.3% over the end of last year (At December 2006: HK$164.6 million).

Segmental Information

From 2007 onwards, the Group has re-organised its operations around three business segments. The segmental analysis has therefore been restated and the original two segments (being the trading in and the supply of building products and engineering equipment) have been replaced by (i) trading (ii) manufacturing and export and (iii) retail and renovation operations. Management believes that this analysis better reflects the way in which the business is now managed and its future strategic direction.

Trading operations represent the traditional business of distributing engineering equipment and building products. Manufacturing and export operations mainly include the manufacturing and exporting of natural stone products. Retail and renovation operations consist of the Group's two retail outlets in Hong Kong and the wholesale business to local dealers.

Revenue from trading operations decreased by HK$8.1 million to HK$103.7 million with the gross profit contribution decreased by HK$2.4 million to HK$18.0 million (2006: HK$111.8 million and HK$20.4 million respectively). During the Period, new residential properties projects in Hong Kong reduced substantially which adversely affected our sales of plumbing fixtures to new projects.

Revenue from manufacturing and export increased significantly from HK$13.0 million in 2006 to HK$27.9 million in 2007. This was mainly due to the completion of the marble processing factory in Dongguan at the end of last year. With the increase in capacity, the Group was able to benefit from the increasing demand from overseas clients.

The recent recovery of the secondary property market in Hong Kong also provided the Group with growth opportunities in the renovation market. Strong sales were recorded through the Group's retail outlets and local dealers. Turnover increased by 74% from HK$15.8 million in 2006 to HK$27.5 million in 2007. As a result, overall gross profit increased from HK$5.6 million in 2006 to HK$8.9 million in 2007.

Disposal of an associate

On 23 July 2007, Arnhold & Company, Limited ("ACL"), a wholly-owned subsidiary of the Company, entered into a deed with Bostik Australia Pty Ltd. ("Bostik") and Bostik Holding Hong Kong Limited ("Joint Venture" or "Bostik HK") in relation to the termination of the Joint Venture established by ACL and Bostik. It was agreed that ACL would transfer its entire equity interest, represented by 4,000 ordinary shares of HK$1 each, in the Joint Venture to Bostik, and Bostik should in return pay ACL a sum of HK$11.4 million, which includes the consideration for the transfer of shares in the Joint Venture and the amount owed by the Joint Venture to ACL. The disposal was completed on 1 August 2007, whereupon Bostik HK became wholly owned by Bostik and ceased to be an associate of the Group. Details of the disposal were disclosed in a circular of the Company dated 14 August 2007 duly sent to the shareholders.

The gain derived from the disposal of the Joint Venture before expenses amounted to approximately HK$1.8 million and the net proceeds will be kept as a reserve for future working capital requirements and investment.

Foreign Exchange Exposure and Financial Hedging

The Group adopts hedging policies for managing 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 Period end (At 31 December 2006: Nil). The Group remained conservative in working capital management. The Group generated a positive cash flow of HK$3.4 million from operating activities with cash balances amounted and HK$50.2 million as at Period end (At 31 December 2006: HK$52.7 million). Most of the Group's cash balances are placed in time deposits with reputable financial institutions. The reduced cash balance was mainly caused by the investment in Bostik of HK$4.4 million. 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 non-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 30 June 2007, the amount of guarantees outstanding was HK$3.4 million (At 31 December 2006: HK$3.1 million).

Banking facilities with assets pledged

A property with net book value of HK$50.6 million at Period end held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of the Period, the Group had approximately 465 employees in the Mainland and approximately 125 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 interim report to be sent to the shareholders.

Outlook

The Group will focus on strengthening its market position in trading operations and expanding its export and retail businesses. The new marble processing factory is now in full operation enabling the Group to take advantage of increasing overseas demand. At the same time, we continue to enhance our business efficiency, working capital management and cost control. All of these initiatives will continue to drive our growth and we are optimistic about the future.

INTERIM DIVIDEND

The Board has resolved that no interim dividend be paid for the Period (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2007. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate. The Company also acknowledges and appreciates its responsibility towards the society at large and has embarked upon various initiatives to effectuate this.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "CG Code") which came into effect in January 2005. Throughout the Period, the Company has complied itself with the code provisions of the CG Code except in certain circumstances where in the opinion of the directors of the Company ("the Directors") are unsuitable to be adopted by the Company at this stage. Details of such non-compliances are discussed below:

- non-executive directors are not appointed for a specific term and directors are not subject to retirement by rotation at least once every three years. The Bye-laws of the Company (the "Bye-laws") provided that save that the Board shall have the absolute discretion to determine whether or not the Chairman and/or the Managing Director of the Company shall be subject to retirement by rotation, each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest but not less than one-third) shall retire from office by rotation. To ensure the smooth running and 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. The Board also considers it not necessary to appoint non-executive directors for a specific term as the Bye-laws enable all directors, including those non-executives, to retire at least once every three years;

- the Company has not adopted the terms of reference of the Remuneration Committee as prescribed in the CG Code in full but has duly adopted its own terms of reference that better suit the practical situation of the Company. The Board considers that the key responsibilities of the Remuneration Committee shall focus on assessing the reasonableness of the remuneration of the directors and fixing the remuneration packages for all directors. The Board understands that the terms of reference adopted by the Remuneration Committee deviates from rules B.1.3(a)-(e) of the CG Code as its scope does not cover the senior management of the Company. However, the Board considers that it is not practical for the Remuneration Committee to adopt the full terms stipulated in the CG Code because the management structure of the Group is relatively simple and its scale of operations is modest. It is also noted that the executive directors have extensive experience in the industry and are fully qualified to determine the remuneration packages of employees of the Company including the senior management. It has always been the Company's practice to provide compensation with reference to the prevailing market conditions. The remuneration details, together with the financial statements of the Company, are also subject to review and approval by the Board annually. As a result, it is considered more practical not to delegate the responsibility to the Remuneration Committee to determine any specific remuneration packages of the senior management. The Board believes that such arrangements a) will maintain a formal and transparent procedure for setting 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 interests of the Company and the minority shareholders; d) will enable the Company to maintain a reasonable balance of cost and benefit.

PUBLICATION ON WEBSITES

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

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the unaudited condensed consolidated interim financial statements of the Company for the Period.

EVENTS AFTER BALANCE SHEET DATE

ACL entered into a deed on 23 July 2007 with Bostik and Bostik HK in relation to the termination of the Joint Venture established by ACL and Bostik, details of which were disclosed in the circular of the Company dated 14 August 2007.

Besides, a wholly-owned subsidiary of the Company entered into an agreement to dispose a property in Guangzhou on 31 August 2007 at a consideration of approximately HK$5.2 million and fair value gain of approximately HK$0.3 million.

BOARD OF DIRECTORS

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 the alternate director of Mr Augustus Ralph Marshall and Christopher John David Clarke; the independent non-executive directors are Messrs V-Nee Yeh, Thaddeus Thomas Beczak and Simon Murray.

On behalf of the Board
Michael John Green
Chairman

Hong Kong, 19 September 2007