

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the content of this announcement.



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 2009

HIGHLIGHTS

- Results affected by global economic downturn, turnover down by 12.9%
- Profit attributable to shareholders reduced by 94.6% to approximately HK\$1.2 million
- Outstanding order book maintained at HK\$173.9 million
- Invested in retail operations in Shanghai
- Strong cashflow with no bank borrowing and high liquidity
- Dividend maintained at HK cents 5.5 per share

CHAIRMAN'S STATEMENT

2009 was a challenging year for the Group. The global economic downturn adversely affected our export and local trading business with turnover down by 12.9% to HK\$364.1 million. Profit attributable to shareholders was HK\$1.2 million, down by 94.6%. However, we used the year gainfully, completing the sale of all surplus property in the Mainland thus releasing cash for future expansion. We concentrated on staff training and customer service and opened several key overseas accounts and now have the resources and the opportunity to expand as the market improves and our customer base continues to widen.

* For identification purpose only

Highlights of the results of our Operating Divisions are as follows:

Bathrooms:

Our Bathrooms business remained stable in 2009 but improvements in Hong Kong and our expanded activities in the Mainland should provide a good base for growth in 2010.

Retail and Renovation:

Overall results were slightly up, a drop in Hong Kong offset by increased activities through our new Shanghai outlet. We expect 2010 to show significant improvements as Hong Kong stabilises and our Shanghai outlet gains momentum.

Tiles:

Our Tiles business faced challenges in 2009 as certain major renovation projects in Hong Kong were put on hold by Developers who delayed projects due to market conditions.

Marble Export:

The Marble Export operation was adversely affected by a de-stocking process by our overseas customers. However, we have used this time constructively to develop our product range and successfully open new accounts which will give us a much broader base for the future.

Engineering:

The Division continues to focus on value added services in a difficult market and it made a positive contribution to the Group as we completed the Prince of Wales Hospital project in 2009.

Building Materials Export:

Turnover decreased by 20% in 2009 but we improved our gross profit margin by focusing on quality and product design. This strengthening of quality control systems and expansion of product ranges, positions us well for growth in 2010.

The Group successfully maintained its strong financial position throughout the economic turmoil in 2009. We believe the most difficult period is behind us and expect to resume a path of reasonable growth in the 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 2009, together with comparative figures for the corresponding period in 2008.

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

| | Note | 2009 HK\$'000 | 2008 HK\$'000 |
|--|------|------------------|------------------|
| Turnover | (2) | 364,089 | 418,221 |
| Cost of sales | | <u>(279,138)</u> | <u>(318,494)</u> |
| Gross profit | | 84,951 | 99,727 |
| Other revenues | (2) | 2,594 | 2,585 |
| Operating expenses | | (84,811) | (79,827) |
| Gain on disposal of an investment property | | <u>–</u> | <u>94</u> |
| Operating profit | (2) | 2,734 | 22,579 |
| Finance income | | 320 | 1,506 |
| Finance costs | | <u>(11)</u> | <u>(93)</u> |
| Profit before income tax | (3) | 3,043 | 23,992 |
| Income tax expense | (4) | <u>(1,851)</u> | <u>(2,079)</u> |
| Profit for the year, attributable to shareholders | | 1,192 | 21,913 |
| Other comprehensive income/(expenses) | | | |
| Surplus/(deficit) on revaluation of available-for-sale financial assets | | <u>88</u> | <u>(372)</u> |
| Total comprehensive income for the year, attributable to shareholders | | <u>1,280</u> | <u>21,541</u> |
| Basic earnings per share (HK cents) | (5) | <u>0.53</u> | <u>9.73</u> |
| Diluted earnings per share (HK cents) | (5) | <u>0.52</u> | <u>9.47</u> |
| Proposed dividend | | <u>12,424</u> | <u>12,391</u> |
| Proposed dividend per share (HK cents) | | <u>5.5</u> | <u>5.5</u> |

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2009

| | <i>Note</i> | 2009 HK\$'000 | 2008 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| NON-CURRENT ASSETS | | | |
| Investment property | | – | 3,341 |
| Property, plant and equipment | | 47,067 | 49,769 |
| Lease prepayments | | 46,789 | 47,837 |
| Available-for-sale financial assets | | 2,875 | 2,787 |
| | | 96,731 | 103,734 |
| CURRENT ASSETS | | | |
| Investment property held for sale | | 2,681 | – |
| Inventories | | 20,968 | 27,385 |
| Trade and other receivables | (6) | 90,693 | 107,008 |
| Derivative financial instruments | | 285 | 371 |
| Current income tax recoverable | | – | 1 |
| Cash and cash equivalents | | 97,575 | 77,108 |
| | | 212,202 | 211,873 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | (7) | 86,041 | 78,946 |
| Derivative financial instruments | | 856 | 4,413 |
| Provisions | | 2,155 | 2,375 |
| Current income tax liabilities | | 340 | – |
| | | 89,392 | 85,734 |
| NET CURRENT ASSETS | | | |
| | | 122,810 | 126,139 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 219,541 | 229,873 |
| NON-CURRENT LIABILITIES | | | |
| Deferred income tax liabilities | | 263 | 226 |
| NET ASSETS | | | |
| | | 219,278 | 229,647 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 22,590 | 22,530 |
| Reserves | (8) | | |
| Proposed final dividend | | 12,424 | 12,391 |
| Others | | 184,264 | 194,726 |
| | | 196,688 | 207,117 |
| SHAREHOLDERS' FUNDS | | | |
| | | 219,278 | 229,647 |

Notes:

(1) Basis of preparation and accounting policies

The audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The audited consolidated 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 property, which is carried at fair value.

The applicable HKFRSs include all applicable Hong Kong Accounting Standards (“HKASs”) and Hong Kong International Financial Reporting Interpretations (“HK(IFRIC)s”) issued by the HKICPA.

The HKICPA has issued a new standard and a number of revised/amendments to standards and interpretations that are first effective for the financial year beginning 1 January 2009. Of these, the following developments are relevant to the Group’s financial statements:

- HKAS 1 (revised), ‘Presentation of financial statements’
- HKFRS 1 and HKAS 27 (amendment), ‘Cost of an investment in a subsidiary, jointly controlled entity or associate’
- HKFRS 2 (amendment), ‘Share-based payment’
- HKFRS 7 (amendment), ‘Financial instruments: disclosures’
- HKFRS 8, ‘Operating segments’
- Improvements to HKFRSs

The Improvements to HKFRSs comprise a number of minor amendments to a range of HKFRSs. These, together with the amendments to HKFRS 1, HKAS 27 and HKFRS 2 have had no material impact on the Group’s financial statements. The impact of the remainder of these developments is as follows:

HKAS 1 (revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expenses (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one statement: a statement of comprehensive income. The audited consolidated financial statements have been prepared under the revised disclosure requirements.

HKFRS 7 (amendment), ‘Financial instruments: disclosure’. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Committee that makes strategic decisions.

(2) Segment information

The principal activities of the Group are (i) trading (ii) manufacturing and export and (iii) retail and renovation operations. Revenues recognised in the audited consolidated statement of comprehensive income are as follows:

| | For the year ended | |
|--|---------------------------|-----------------------|
| | 31 December | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Turnover | | |
| Sales of goods | 364,089 | 418,221 |
| Other revenues | | |
| Gross rental income from investment property | 75 | 358 |
| Sundry income | 2,519 | 2,227 |
| | <u>2,594</u> | <u>2,585</u> |
| Total revenues | <u>366,683</u> | <u>420,806</u> |

The analysis of the Group's performance for the year is from both a business and geographical perspective. From a business perspective, management assesses the performance of (i) trading, (ii) manufacturing and export and (iii) retail and renovation operations. Trading is further evaluated on a geographic basis (Hong Kong and Macau, and Mainland China).

The Group assesses the performance of the operating segments based on a measure of gross profit. Finance income, finance costs and income tax expenses are not allocated to segments, as these types of activities are managed on a central basis.

Total assets mainly exclude current income tax recoverable, available-for-sale financial assets and cash and cash equivalents, that are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Corporate total assets mainly include the leasehold land and buildings, investment property and investment property held for sale that are not allocated to any operating segments.

| Year ended | Trading | | Trading Total | Manufacturing and export | Retail and renovation | Corporate | Total |
|--|------------------------|-------------------|------------------|-----------------------------|--------------------------|----------------|----------------|
| | Hong Kong and Macau | Mainland China | | HK\$'000 | HK\$'000 | HK\$'000 | |
| 31 December 2009 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total turnover | 192,323 | 31,479 | 223,802 | 102,813 | 80,735 | - | 407,350 |
| Inter-segment turnover | (79) | - | (79) | (43,182) | - | - | (43,261) |
| Turnover (from external customers) | <u>192,244</u> | <u>31,479</u> | <u>223,723</u> | <u>59,631</u> | <u>80,735</u> | <u>-</u> | <u>364,089</u> |
| Gross profit | <u>37,727</u> | <u>5,399</u> | <u>43,126</u> | <u>18,232</u> | <u>23,593</u> | <u>-</u> | <u>84,951</u> |
| Depreciation of property, plant and equipment | <u>(819)</u> | <u>-</u> | <u>(819)</u> | <u>(1,393)</u> | <u>(2,050)</u> | <u>(585)</u> | <u>(4,847)</u> |
| Amortisation of lease prepayments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,048)</u> | <u>(1,048)</u> |
| Total assets | <u>47,479</u> | <u>15,110</u> | <u>62,589</u> | <u>47,585</u> | <u>31,208</u> | <u>65,628</u> | <u>207,010</u> |
| Additions to non-current assets (other than available-for sale financial assets) | <u>15</u> | <u>27</u> | <u>42</u> | <u>778</u> | <u>1,179</u> | <u>172</u> | <u>2,171</u> |
| Year ended | Trading | | Trading Total | Manufacturing and export | Retail and renovation | Corporate | Total |
| | Hong Kong and Macau | Mainland China | | HK\$'000 | HK\$'000 | HK\$'000 | |
| 31 December 2008 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Total turnover | 221,358 | 38,714 | 260,072 | 128,581 | 73,527 | - | 462,180 |
| Inter-segment turnover | (59) | - | (59) | (43,900) | - | - | (43,959) |
| Turnover (from external customers) | <u>221,299</u> | <u>38,714</u> | <u>260,013</u> | <u>84,681</u> | <u>73,527</u> | <u>-</u> | <u>418,221</u> |
| Gross profit | <u>40,176</u> | <u>10,249</u> | <u>50,425</u> | <u>24,697</u> | <u>24,605</u> | <u>-</u> | <u>99,727</u> |
| Depreciation of property, plant and equipment | <u>(990)</u> | <u>-</u> | <u>(990)</u> | <u>(1,362)</u> | <u>(866)</u> | <u>(588)</u> | <u>(3,806)</u> |
| Amortisation of lease prepayments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,049)</u> | <u>(1,049)</u> |
| Total assets | <u>61,524</u> | <u>21,528</u> | <u>83,052</u> | <u>56,890</u> | <u>26,483</u> | <u>68,603</u> | <u>235,028</u> |
| Additions to non-current assets (other than available-for sale financial assets) | <u>221</u> | <u>57</u> | <u>278</u> | <u>1,201</u> | <u>7,636</u> | <u>656</u> | <u>9,771</u> |

A reconciliation of gross profit to total profit before income tax is provided as follows:

| | For the year ended | |
|---|---------------------------|------------------------|
| | 31 December | |
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Gross profit | 84,951 | 99,727 |
| Depreciation of property, plant and equipment | (4,793) | (3,722) |
| Amortisation of lease prepayments | (1,048) | (1,049) |
| Other expenses | (76,376) | (72,377) |
| | <hr/> | <hr/> |
| Operating profit | 2,734 | 22,579 |
| Finance income | 320 | 1,506 |
| Finance costs | (11) | (93) |
| | <hr/> | <hr/> |
| Profit before income tax | 3,043 | 23,992 |
| | <hr/> <hr/> | <hr/> <hr/> |

Reportable segments' assets are reconciled to total assets as follows:

| | As at 31 December | |
|-------------------------------------|--------------------------|------------------------|
| | 2009 | 2008 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Total segment assets | | |
| Unallocated: | 207,010 | 235,028 |
| Current income tax recoverable | – | 1 |
| Available-for-sale financial assets | 2,875 | 2,787 |
| Cash and cash equivalents | 97,575 | 77,108 |
| Others | 1,473 | 683 |
| | <hr/> | <hr/> |
| Total assets | 308,933 | 315,607 |
| | <hr/> <hr/> | <hr/> <hr/> |

(3) Profit before income tax

Profit before income tax in the audited consolidated statement of comprehensive income is stated after crediting/(charging) the following items:

| | For the year ended | |
|---|---------------------------|--------------------|
| | 31 December | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Crediting | | |
| Interest income | 320 | 1,506 |
| Rental income from investment properties | 75 | 358 |
| Write back of provision for impairment of receivables | 169 | 376 |
| Gain on disposal of an investment property | – | 94 |
| Charging | | |
| Provision for impairment of receivables | – | (376) |
| Receivables written off | (722) | – |
| Provision for stock obsolescence | (503) | (493) |
| Depreciation of property, plant and equipment | (4,847) | (3,806) |
| Amortisation of lease prepayments | (1,048) | (1,049) |
| Fair value loss on an investment property held for sale | (660) | – |
| Interest expenses on bank overdraft | (11) | (93) |
| | <u>(11)</u> | <u>(93)</u> |

(4) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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 to the audited consolidated statement of comprehensive income represents:

| | For the year ended | |
|--|---------------------------|-----------------------|
| | 31 December | |
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Current income tax | | |
| Hong Kong profits tax | (43) | (126) |
| Overseas taxation | (1,023) | (941) |
| Under-provision of overseas taxation in prior year | (748) | – |
| Deferred income tax | (37) | (1,012) |
| | <u>(1,851)</u> | <u>(2,079)</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\$1,192,000 (2008: HK\$21,913,000) and the weighted average number of 225,440,658 (2008: 225,296,000) 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\$1,192,000 (2008: HK\$21,913,000) and the weighted average number of 231,164,511 (2008: 231,374,000) 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 | |
|---|--------------------------|-----------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Current | 53,287 | 58,955 |
| One to three months overdue | 25,213 | 33,947 |
| Three to twelve months overdue | 3,404 | 3,022 |
| Overdue more than twelve months | 3,035 | 3,383 |
| | <hr/> | <hr/> |
| Total trade and retention receivables | 84,939 | 99,307 |
| Provision for impairment of receivables | (991) | (1,368) |
| | <hr/> | <hr/> |
| Net trade and retention receivables | 83,948 | 97,939 |
| Prepayments and other receivables | 6,745 | 9,069 |
| | <hr/> | <hr/> |
| | 90,693 | 107,008 |
| | <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 | |
|----------------------------------|-------------------|---------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| Current | 37,281 | 30,300 |
| One to three months overdue | 5,871 | 11,857 |
| Overdue more than three months | 2,178 | 2,102 |
| Total trade and bills payables | 45,330 | 44,259 |
| Accruals and others payables | 29,357 | 27,044 |
| Advances received from customers | 11,354 | 7,643 |
| | <u>86,041</u> | <u>78,946</u> |

(8) Reserves

| The Group | Contributed surplus HK\$'000 | Retained earnings HK\$'000 | Total distributable reserves HK\$'000 | Share premium HK\$'000 | Available-for-sale investment reserve HK\$'000 | Employee share-based compensation reserve HK\$'000 | Total HK\$'000 |
|--|---------------------------------|-------------------------------|--|---------------------------|---|---|-------------------|
| At 1 January 2008 | 808 | 98,273 | 99,081 | 92,709 | 996 | 2,135 | 194,921 |
| Profit attributable to shareholders | – | 21,913 | 21,913 | – | – | – | 21,913 |
| Dividend relating to 2007 and paid in May 2008 | – | (9,913) | (9,913) | – | – | – | (9,913) |
| Employee share-based compensation benefits | – | – | – | – | – | 568 | 568 |
| Deficit on revaluation | – | – | – | – | (372) | – | (372) |
| At 31 December 2008 | <u>808</u> | <u>110,273</u> | <u>111,081</u> | <u>92,709</u> | <u>624</u> | <u>2,703</u> | <u>207,117</u> |
| Representing: | | | | | | | |
| 2008 Proposed final dividend | | 12,391 | | | | | |
| Others | | <u>97,882</u> | | | | | |
| Retained earnings as at 31 December 2008 | | <u>110,273</u> | | | | | |

| The Group | Contributed surplus HK\$'000 | Retained earnings HK\$'000 | Total distributable reserves HK\$'000 | Share premium HK\$'000 | Available-for-sale investment reserve HK\$'000 | Employee share-based compensation reserve HK\$'000 | Total HK\$'000 |
|--|---------------------------------|-------------------------------|--|---------------------------|---|---|-------------------|
| At 1 January 2009 | 808 | 110,273 | 111,081 | 92,709 | 624 | 2,703 | 207,117 |
| Profit attributable to shareholders | - | 1,192 | 1,192 | - | - | - | 1,192 |
| Dividend relating to 2008 and paid in May 2009 | - | (12,402) | (12,402) | - | - | - | (12,402) |
| Employee share-based compensation benefits | - | - | - | - | - | 453 | 453 |
| Employee share option scheme: | | | | | | | |
| Issuance of ordinary shares | - | - | - | 240 | - | - | 240 |
| Transfer among reserves | - | 149 | 149 | - | - | (149) | - |
| Surplus on revaluation | - | - | - | - | 88 | - | 88 |
| At 31 December 2009 | <u>808</u> | <u>99,212</u> | <u>100,020</u> | <u>92,949</u> | <u>712</u> | <u>3,007</u> | <u>196,688</u> |
| Representing: | | | | | | | |
| 2009 Proposed final dividend | | 12,424 | | | | | |
| Others | | <u>86,788</u> | | | | | |
| Retained earnings as at 31 December 2009 | | <u>99,212</u> | | | | | |

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\$364.1 million with a gross profit of HK\$85.0 million (2008: HK\$418.2 million and HK\$99.7 million respectively). Gross profit margin decreased slightly from 23.8% to 23.3% as we faced a difficult period in the export and local retail markets. Operating expenses increased to HK\$84.8 million (2008: HK\$79.8 million) mainly due to an increase in staff compensation and the additional rental expenses and depreciation charges of our new retail shop in Shanghai. As a result, the Group's profit attributable to shareholders for the year decreased to HK\$1.2 million (2008: HK\$21.9 million).

The Group continued to improve its services, product quality and new market coverage. Despite the recent economic crisis, outstanding orders on hand remained stable at HK\$173.9 million (At December 2008: HK\$174.4 million).

Segmental Information

Revenue from trading operations decreased by HK\$36.3 million to HK\$223.7 million with the gross profit contribution decreasing by HK\$7.3 million to HK\$43.1 million (2008: HK\$260.0 million and HK\$50.4 million respectively). The decrease was mainly due to the slowdown in demand of composite marbles in Hong Kong as developers postponed their major shopping mall projects in view of the economic uncertainties.

Revenue from manufacturing and export decreased from HK\$84.7 million in 2008 to HK\$59.6 million in 2009. We expect the situation to improve as our overseas customers completed their de-stocking process and we developed new product programs to increase market share.

During the year, the renovation and retail market in Hong Kong experienced a difficult period. Turnover increased by 9.8% from HK\$73.5 million in 2008 to HK\$80.7 million in 2009 but gross profit decreased from HK\$24.6 million in 2008 to HK\$23.6 million.

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 to be sent to the shareholders in due course.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and no gearing as at year end (At 31 December 2008: Nil). The Group remained conservative in working capital management, and generated a positive cash flow of HK\$33.4 million (At 31 December 2008: HK\$15.7 million) from operating activities with cash balances of HK\$97.6 million as at year end (At 31 December 2008: HK\$77.1 million). Most of the Group's cash balances are placed on time deposits with reputable financial institutions. We will continue to manage our cash flow cautiously and expect to meet our future financial requirements from 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 2009, the amount of guarantees outstanding was HK\$4.7 million (At 31 December 2008: HK\$4.5 million).

Banking facilities with assets pledged

A leasehold property with net book value of HK\$47.8 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 2009, the Group had approximately 360 employees in the Mainland and approximately 135 employees in Hong Kong. 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, and in compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) of 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 2009 annual report to be sent to the shareholders in due course.

Outlook

Recent economic data and our order situation indicates that the worst is now behind us. While 2010 remains challenging, we expect reasonable growth to resume. We will continue our focus on new product development, service enhancement and cost efficiency to strengthen our competitive position and are confident that we are well placed to move forward as the market recovers.

ANNUAL GENERAL MEETING

The 2010 annual general meeting of the Company (“2010 AGM”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 13 May 2010 at 12:00 noon. Notice of the 2010 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\$12,424,000 for the year ended 31 December 2009 (2008: final dividend of HK\$5.5 cents per ordinary share, totalling HK\$12,391,000) subject to the approval of the Company’s shareholders at the 2010 AGM. If approved, the final dividend will be paid on or about 20 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2010 to 13 May 2010 (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 2010 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 shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 pm on 7 May 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2009. 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 of Hong Kong Limited (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 and was further updated in February 2009. Throughout the year, the Group has complied with all the code provisions of the Code except that:

Deviations

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;

Remedial Steps for compliance taken/will be taken

Service agreement with a specific term will be executed between the Group and each non-executive director before the end of March 2010

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

The Company had revised the terms of reference of the Remuneration Committee as prescribed in the Code in full which was approved and adopted by the Board on 3 December 2009.

Further details of the Company's compliance with the Code are published in the Corporate Governance Report annexed to the 2009 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 2009 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, 24 March 2010