



# ARNHOLD HOLDINGS LIMITED

## 安利控股有限公司\*

(Incorporated in Bermuda with limited liability)  
(Stock Code: 102)

### INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 JUNE 2004

#### RESULTS

The following results represent the summary of the unaudited consolidated financial statement of Arnhold Holdings Limited (the "Company") with its subsidiaries (collectively the "Group") for the six months ended 30 June 2004 (the "Period"), together with comparative figures for the corresponding period in 2003:

#### CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2004

	Note	(Unaudited) Six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Turnover	(1)	153,707	173,628
Cost of sales		(126,415)	(146,118)
Gross profit		27,292	27,510
Other revenues		4,421	5,468
Operating expenses		(32,621)	(35,260)
Unrealised loss on revaluation of other properties		-	(1,500)
Operating loss		(908)	(3,782)
Finance costs		(38)	(13)
Share of loss of an associate		(471)	(144)
Loss from ordinary activities before taxation	(2)	(1,417)	(3,939)
Taxation	(3)	(446)	(162)
Company and subsidiaries		-	-
The associate		-	-
Loss attributable to shareholders		(1,863)	(4,101)
Basic loss per share (cents)	(4)	(0.83)	(1.83)
Diluted loss per share (cents)	(4)	(0.83)	(1.83)
Dividend		-	-
Dividend per share		-	-

#### CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004

	(Unaudited) At 30 June	
	2004 HK\$'000	At 31 December 2003 HK\$'000
Non-current assets		
Fixed assets		
- Investment properties	17,501	17,501
- Other properties, plant and equipment	74,214	73,959
Interest in an associate	231	2,446
Other investments	2,288	2,288
	94,234	96,194
Current assets		
Inventories	10,178	12,096
Construction contracts	1,309	1,181
Trade and other receivables	98,404	135,866
Cash and cash equivalents	72,921	72,672
	182,812	221,815
Current liabilities		
Trade and other payables	77,773	106,662
Provisions	2,096	2,437
Proposed dividend	-	9,878
Taxation payable	158	150
	80,027	119,127
Net current assets	102,785	102,688
Total assets less current liabilities	197,019	198,882
Non-current liabilities		
Deferred taxation	754	754
Net assets	196,265	198,128
Capital and reserves		
Share capital	22,450	22,450
Reserves	173,815	175,678
Shareholders' funds	196,265	198,128

#### Notes:

(1) **Turnover**  
An analysis of the Group's turnover and contribution to operating loss by principal activities and by principal markets is as follows:

	(Unaudited) Six months ended		30 June 2003	
	30 June 2004 Turnover HK\$'000	Operating results HK\$'000	Turnover HK\$'000	Operating results HK\$'000
<b>Principal activities:</b>				
Building products	121,923	23,098	144,778	24,414
Engineering equipment	31,784	4,194	28,850	3,096
	153,707	27,292	173,628	27,510
Administrative and other expenses		(28,200)		(31,292) <sup>a</sup>
Operating loss		(908)		(3,782)
	(Unaudited) Six months ended		30 June 2003	
	30 June 2004 Turnover HK\$'000	Operating results HK\$'000	Turnover HK\$'000	Operating results HK\$'000
<b>Principal markets:</b>				
Hong Kong and Macau	147,487	26,408	168,991	26,801
Mainland China	6,220	884	4,637	709
	153,707	27,292	173,628	27,510
Administrative and other expenses		(28,200)		(31,292) <sup>a</sup>
Operating loss		(908)		(3,782)

<sup>a</sup> Included in administrative and other expenses is an unrealised loss on revaluation of other properties of HK\$1,500,000 for the period ended 30 June 2003.

(2) **Loss from ordinary activities before taxation**  
Loss from ordinary activities before taxation in the condensed consolidated profit and loss account is stated after crediting/(charging) the following items:

	(Unaudited) Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Crediting		
Write back of provision for doubtful debts	2,859	3,748
Interest income	180	230
Rental income from investment properties	295	333
Charging		
Depreciation of fixed assets	(2,564)	(2,497)
Unrealised loss on revaluation of other properties	-	(1,500)
Amortisation of goodwill	-	(45)

(3) **Taxation**  
Hong Kong profits tax has not been provided as there is no estimated assessable profit for the Period (2003: Nil). 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	
	2004 HK\$'000	2003 HK\$'000
Company and subsidiaries		
Hong Kong profits tax	(1)	-
Overseas taxation	447	52
Deferred taxation	-	110
	446	162
The associate		
Hong Kong profits tax	-	-
	446	162

(4) **Loss per share**  
The calculation of basic loss per share is based on the Group's loss attributable to ordinary shareholders of HK\$1,863,000 (2003: Group's loss attributable to ordinary shareholders of HK\$4,101,000) and the weighted average of 224,496,000 (2003: 224,496,000) ordinary shares in issue during the Period. The diluted loss per share for the period ended 30 June 2003 and 2004 are the same as the basic loss per share since all potential ordinary shares are anti-dilutive.

(5) **Basis of presentation and consolidation**  
The Group accounts include the Company and its subsidiaries up to 30 June 2004. The Group accounts also include the Group's share of the post acquisition profits less losses, and reserves, of its associate.

#### MANAGEMENT DISCUSSION AND ANALYSIS

##### Review of Operations

During the Period, the Group achieved a turnover of HK\$153.7 million and gross profit of HK\$27.3 million (2003: HK\$173.6 million and HK\$27.5 million respectively). The decline in turnover was mainly caused by our decision to scale down the contracting operations and shipments of building products were scheduled in the second half of the year. However, gross profit margin improved from 15.8% to 17.8% because of the higher contribution from trading activities. The Group's continued efforts in cost control and process flow improvement also resulted in a reduction of 7.5% in operating costs. Accordingly, the Group's loss attributable to shareholders for the Period was reduced to HK\$1.9 million (2003: loss of HK\$4.1 million of which HK\$1.5 million related to the impact of further revaluation of the Group's property).

The Group's outstanding orders on hand at the Period end amounted to HK\$166.5 million, representing a decrease of 33.7% over the end of last year (At December 2003: HK\$251.2 million). This was mainly caused by the Group's decision to focus on businesses with sustainable high profit margin and growth opportunities. The Group only accepted orders that were in line with our strategic focus with reasonable profit margin. To avoid distraction of management time, orders with low margin and higher credit risk with total amount of HK\$26.4 million were also cancelled.

##### Segmental Information

Revenues from the building products business were HK\$121.9 million, representing a decrease of 15.8% compared with HK\$144.8 million in the last corresponding period, out of which the decrease of HK\$10.4 million was due to the scaling down of contracting operations. Turnover of plumbing fixtures and tiles was HK\$17.9 million lower because shipments were scheduled towards the second half of the year to match market requirements. These were partially offset by the improvement of HK\$5.5 million in construction chemicals and marble export operations. Operating results were reduced by only 5.4% to HK\$23.1 million because of the improved margin in construction chemicals and marble exports.

Turnover of the engineering business increased by 10.2% to HK\$31.8 million because of the increased demand for air handling products in the first half of the year. As a result, operating results of the engineering business increased from HK\$3.1 million to HK\$4.2 million.

##### 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 2003: Nil). The Group further strengthened its cash reserves during the last six month with positive cash flow of HK\$12.9 million from operating activities. As at end of June 2004, cash balances amounted to HK\$72.9 million with most placed in time deposits with reputable financial institutions. The Group will continue its conservative cash flow management policy and expects to meet its future financial requirements through internal resources and bank credit facilities. 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.

##### 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 2004, the amount of guarantees outstanding was HK\$5.5 million (At 31 December 2003: HK\$16.2 million).

##### Banking facilities with assets pledged

A property with net book value of HK\$49.0 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 316 and 103 employees in the Mainland and Hong Kong respectively. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. The Group adopted a new share option scheme on 11 July 2002 under which the directors of the Company (the "Directors"), subject to the compliance of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), were authorised to grant share options to eligible persons as incentive. Details of share options granted were disclosed in the Directors' Report annexed to the 2004 Interim Report to be despatched to the shareholders of the Company.

##### Outlook

Market sentiments has recovered slightly over the past few months. However, Hong Kong is still exposed to the risks associated with China's economic adjustments, uncertainty surrounding global economic prospects and high local unemployment rate. The Group expects that the market conditions in Hong Kong will remain competitive. In view of these challenges, the Group has redirected its focus towards high value-added business activities and restructured its management team. With its solid financial foundation and clear focus, the Group is well positioned to achieve better results.

##### INTERIM DIVIDEND

The board (the "Board") of Directors has resolved that no interim dividend be paid for the six months ended 30 June 2004 (2003: Nil).

##### PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months ended 30 June 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

##### CORPORATE GOVERNANCE

None of the Directors is aware of any information which would indicate that the Company is not, or during the six months ended 30 June 2004 was not, in compliance with the Code of Best Practice as set out in Appendix 14 to Listing Rules of the Stock Exchange, save that non-executive directors have not been appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's bye-law 87(1).

##### PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE'S WEBSITE

The interim report of the Company for the six months ended 30 June 2004 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules in force prior to 31 March 2004, which remains applicable to results announcements in respect of accounting periods commencing before 1 July 2004, under the transitional arrangement, will be published on the Stock Exchange's website in due course.

##### 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 unaudited condensed accounts for the six months ended 30 June 2004 with the Directors.

On behalf of the Board  
**Michael John Green**  
Chairman

Hong Kong, 9 September 2004

As at the date of this announcement, the directors of the Company are:

**Executive directors:**  
Michael John Green  
Daniel George Green  
Leung Tak Tong, Eric  
Lai Ka Tak, Patrick

**Non-executive directors:**  
Simon Murray  
Augustus Ralph Marshall

**Independent non-executive directors:**  
Christopher John David Clarke  
V-Nee Yeh  
Thaddeus Thomas Beczak

\* For identification purpose only