For the year ended



(Stock Code: 102)

2004 RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

I am pleased to report that the modest economic recovery in 2004 has brought us relief from deflation and our focused strategy has enabled us to make good progress, though this has not yet been reflected in our results.

We have worked hard to reposition our company for sustainable growth. Resources were allocated to higher value added operations and the Group achieved good growth in the construction chemical and marble manufacturing and exporting businesses. We have simplified our management structure and further streamlined our back office. These initiatives enable us to operate with greater flexibility, higher efficiency and a lower overhead. Though turnover has declined to some HK\$321.2 million, increasing activity in the property market and further development in our manufacturing and exporting has positioned us for growth. The Group strengthened its financial position and achieved a small profit of HK\$2.5 million.

We are investing in proprietary businesses that we can control. As part of this development, the Group purchased 30,000 sq.m. of land in Dongguan to build a new marble factory, with expanded production capacity and sufficient land to develop further manufacturing activities as required.

In recent years, we have been very careful in cashflow management. This conservative treasury policy has enabled us to increase our cash reserve to a balance of HK\$84.4 million as at year end 2004. This gives us sufficient financial resources to participate in expected expansion opportunities.

We anticipate that the local economy will continue to recover and are focused on participating in this recovery as well as developing our newer manufacturing and exporting businesses. We have a loyal and motivated team to which we are adding skills to support this expected growth.

RESULTS

The following results represent the summary of the audited consolidated financial statement of Arnhold Holdings Limited (the "Company") with its subsidiaries (collectively the "Group") for the year ended 31 December 2004, together with the comparative figures for the corresponding period in 2003:

AUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

AUDITED CONSOLIDATED PROFIT AND LOSS ACC		For the year ended 31 December	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover Cost of sales	(1) (2)	321,156 (264,148)	373,443 (306,397
Gross profit		57,008	67,046
Other revenues		9,127	8,142
Operating expenses		(65,122)	(71,833
Jnrealised gain/(loss) on revaluation of investment properties and other properties		2,821	(1,500
Dperating profit		3,834	1,855
inance costs		(54)	(75
hare of loss of an associate		(1,035)	(263
Profit before taxation	(3)	2,745	1,517
Caxation – Company and subsidiaries	(4)	(226)	(305
– Associate		(30)	(305
Profit attributable to shareholders		2,489	1,212
Dividend		9,878	9,878
Dividend per share		4.40 cents	4.40 cents
Earnings per share	(5)		
– Basic		1.11 cents	0.54 cents
– Diluted		1.11 cents	0.54 cents
AUDITED CONSOLIDATED BALANCE SHEET			
		As at 31 De	
		2004 HK\$'000	2003 HK\$'000
Non-current assets			
Fixed assets		17 601	17 501
 Investment properties Other properties, plant and equipment 		17,601 75,537	17,501 73,959
Interest in an associate		265	2,446
Other investments		2,288	2,288
		95,691	96,194
Current assets Inventories		12,411	12,096
Construction contracts		753	1,181
Trade and other receivables		85,124	135,866
Cash and cash equivalents		84,373	72,672
		182,661	221,815
Current liabilities		54 212	106.660
Trade and other payables Provisions		74,312 1,688	106,662 2,437
Dividend payable		9,878	2,437
Taxation payable		198	150
		86,076	119,127
let current assets		96,585	102,688
otal assets less current liabilities		192,276	198,882
Non-current liabilities			
Deferred taxation		754	754
Net assets		191,522	198,128
Capital and reserves			
Share capital Reserves		22,450 169 072	22,450
		169,072	175,678
'hareholders' funds		191,522	198,128

* For identification purpose only

Notes:

(1) Turnover

An analysis of the Group's turnover and contribution to operating results by principal activities and by principal markets is as follows:

	2004		2003	
	Turnover	Operating results	Turnover	Operating results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Building products	265,870	23,054	312,013	28,633
Engineering equipment	55,286	(672)	61,430	(2,763)
Other operations	-	(2,522)#	-	(5,538)#
	321,156	19,860	373,443	20,332
Unallocated costs		(16,026)		(18,477)
Operating profit		3,834		1,855
	2004		2003	
	Turnover	Operating	Turnover	Operating
		results		results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets:				
Hong Kong and Macau	307,511	54,793	356,656	64,662
Mainland China	13,645	2,116	16,787	2,384
	321,156	56,909	373,443	67,046
Unallocated costs		(53,075)		(65,191)
Operating profit		3,834		1,855

Included in the operating results of other operations is unrealised gain amounting to HK\$2,821,000 (2003: unrealised loss of HK\$1,500,000) on revaluation of investment properties and other properties for the year ended 31 December 2004

(2) Cost of sales

Based on the latest assessment of total contract costs for the contracting business, a net amount of HK\$29,000 has been debited (2003: HK\$2,432,000 has been credited) to cost of sales to reflect a change in estimate of contract costs for the year ended 31 December 2004.

(3) Profit before taxation

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

	For the year ended	
	31 December	
	2004	2003
	HK\$'000	HK\$'000
Crediting		
Interest income	442	443
Rental income from investment properties	612	636
Write back of provision for doubtful debts	5,284	4,593
Unrealised gain on revaluation of investment properties		
and other properties	2,821	-
Charging		
Provision for doubtful debts	(2,782)	(1,488)
Depreciation of fixed assets	(5,235)	(5,052)
Unrealised loss on revaluation of investment properties		
and other properties	_	(1,500)
Amortisation of goodwill	_	(178)
5		(

(4) Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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)/credited to the audited consolidated profit and loss account represents

	For the yea	For the year ended	
	31 December		
	2004	2003	
	HK\$'000	HK\$'000	
Company and subsidiaries			
Hong Kong profits tax	(34)	(46)	
Overseas taxation	(192)	(149)	
Deferred taxation	-	(110)	
Company and subsidiaries	(226)	(305)	
Associate			
Overseas taxation	(30)	_	
	(256)	(305)	

(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\$2,489,000 (2003: Group's profit attributable to ordinary shareholders of HK\$1,212,000) and the weighted average number of 224,496,000 (2003: 224,496,000) 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\$2,489,000 (2003: Group's profit attributable to ordinary shareholders of HK\$1,212,000) and the weighted average number of 225,047,000 (2003: 224,496,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

6) Basis of presentation and consolidation

The Group accounts include the Company and its subsidiaries up to 31 December 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 reporting period, the Group continued to be engaged principally in its core business of trading of building materials and engineering equipment. The financial performance of the Group remained largely affected by the level of construction activities in Hong Kong.

The Group's turnover amounted to HK\$321.2 million in 2004, representing a decline of approximately 14% compared with 2003 (2003: HK\$373.4 million). This was mainly attributable to the reduced activities in the construction industry. Despite the continued downturn in prices, the Group successfully improved its gross profit margin before cost provisions to 17.8% (2003: 17.3%) through its focus on higher value added activities. The gross margin was adjusted to 17.8% (2003: 18.0%) after taking into account the negative impact of further cost provision of HK\$0.03 million (2003: write back cost provision of HK\$2.4 million) for contracting business.

Operating expenses was also reduced by some 9.3% to HK\$65.1 million (2003: HK\$71.8 million) which included the provision for bad debts and stock obsolescence of HK\$2.8 million (2003: HK\$1.5 million) and HK\$0.5 million (2003: HK\$0.4 million) respectively. As a result, the Group reported a profit attributable to shareholders of HK\$2.5 million (2003: profit of HK\$1.2 million), after crediting properties revaluation gain of HK\$2.8 million (2003: revaluation loss of HK\$1.5 million).

With the change in strategic focus, the Group had scaled down its air-conditioning activities. The Group negotiated with customers to successfully cancel certain contracts of low margin and long lead time in the engineering field with amount of around HK\$90 million. Outstanding orders on hand as at end of the year were thus reduced to HK\$101.4 million (At 31 December 2003: HK\$251.2 million). It was largely caused by our reduced activities in air-conditioning equipment. It also reflected the shorter delivery lead time required from the Group's repositioned activities.

Segmental Information

Revenue from building products business was HK\$265.9 million, a decrease of 14.8% compared with HK\$312.0 million of last year. This was mainly due to the reduced construction activities. However, we recorded growth in construction chemical and marble operations. These higher value added activities also contributed to the improved gross margin of 18.1% before cost provision adjustments (2003: 17.3%). Gross margin after cost provision adjustments was 18.8% and 18.3% in 2004 and 2003 respectively.

Turnover of engineering equipment business was reduced by 10% from HK\$61.4 million to HK\$55.3 million mainly because of our decision to scale down the air-conditioning trading operations. This was partially compensated by the increase in turnover of air distribution products – one of our strategic focuses.

The Group recovered doubtful debts of HK\$2.6 million in air-conditioning contracting works and this was recorded as other revenue in the consolidated financial statement. We also continued with our conservative policy and made additional cost provisions of a similar amount. As a result, operating contribution of engineering equipment was decreased from HK\$9.8 million to HK\$6.9 million.

Capital Commitment

In view of the growth in our marble export business, the Group committed to purchase around 30,000 sq.m. of land in Dongguan of PRC to build a new marble processing factory. Total consideration amounted to RMB1.8 million of which 50% was paid in 2004. We estimate that total capital expenditure for the new factory project is around HK\$18.0 million and the Group will finance this project from internal resources.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet at the end of the year with cash in hand of HK\$84.4 million, mostly placed in time deposits with reputable financial institutions. The Group had no bank borrowing as at 31 December 2004 and maintained zero gearing throughout the year (At 31 December 2003: Nil). We will continue to manage our cashflow cautiously and expect to meet our future financial requirements by internal resources and bank credit facilities. In managing the foreign currency risk, the Group adopts a conservative hedging policy through booking of forward foreign exchange contracts with its principal bankers.

Contingent Liabilities

Certain subsidiaries have given undertakings to the banks that they will perform certain contractual nonfinancial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of the subsidiaries. As at 31 December 2004, the amount of guarantees outstanding was HK\$2.5 million (At 31 December 2003: HK\$16.2 million)

Banking facilities with assets pledged

A property with a net book value of HK\$51.0 million at the year ended 31 December 2004 held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of the year 2004, the Group had approximately 300 and 100 employees in the PRC and Hong Kong respectively (2003: 225 and 115 respectively). The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. The Group also adopted a new share option scheme on 11 July 2002 under which the directors of the Company, 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 during the year were disclosed in the directors' report annexed to the 2004 Annual Report to be despatched to the shareholders.

Outlook

The encouraging news that the Hong Kong economy recovered strongly fuels optimism in the property market. The Group will continue to focus on its traditional higher value added activities and expanding its newer activities including marble export, construction chemicals and air distribution products. We expect our new marble factory to give us sufficient capacity to meet the growing demand from our overseas customers. With a healthy balance sheet and a flexible organizational structure, the Group remains confident in its future.

FINAL DIVIDEND

The board of director (the "Board") of the Company has recommended the payment of a final dividend of HK4.4 cents per ordinary share, totalling HK\$9,878,000 for the year ended 31 December 2004 (2003: final dividend of HK4.4 cents per ordinary share) subject to the approval of Company's shareholders at the forthcoming annual general meeting. If approved, the final dividend will be paid on or about 19 May 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining shareholder's entitlement to the final dividend, from 27 April 2005 to 29 April 2005 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the above final dividend, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 pm on 26 April 2005.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year ended 31 December 2004. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the then effective Appendix 14 of the Listing Rules, save that the non-executive directors were not appointed for a specific term as they are subject to retirement and re-election at annual general meetings in accordance with the Company's Bye-laws.

PUBLICATION ON THE STOCK EXCHANGE WEBSITE

All information required by paragraph 45(1) to 45(3) inclusive of Appendix 16 of 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 website of the Stock Exchange 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 audited financial statements for the year ended 31 December 2004 with the directors.

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

Hong Kong, 10 March 2005

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

Executive directors: Mr Michael John Green, Mr Daniel George Green, and Mr Lai Ka Tak, Patrick; Nonexecutive directors: Mr Augustus Ralph Marshall and Mr Christopher John David Clarke; Independent non-executive directors: Mr V-Nee Yeh, Mr Thaddeus Thomas Beczak and Mr Simon Murray.