



THE STRAITS TRADING COMPANY LIMITED

Company Registration No.: 188700008D

The Straits Trading Group

Financial Highlights

- Net earnings increased by 10-fold at 998.2% to \$235.3 million in Q2 2007 on the back of a substantial increase in the fair value surpluses from the Group's investment properties. Profit from operations before exceptional items has also more than doubled to \$34.0 million due to improvements from all business units with the exception of hotel and investment income.
- Year to date, the Group reported substantially higher net earnings of \$290.8 million in H1 2007 compared with \$64.4 million in H1 2006 contributed by, in particular, the recognition of substantial fair value surpluses in Q2 2007. The higher earnings were also boosted by better operational results from most of the business units.
- Net Asset Value per share rose from \$3.96 in December 2006 to \$5.12 in June 2007 aided further by the increase in fair value of the Group's financial investments.

\$ million	Q2 2007	Q2 2006	+ / (-) %	YTD 2007 (6 mths)	YTD 2006 (6 mths)	+ / (-) %
Total Revenues	231.1	213.6	8.2	457.1	388.6	17.6
Profit from Operations Before Taxation	263.2	25.2	944.0	328.1	71.1	361.6
Profit from Operations Before Exceptional Items	34.0	16.1	111.5	57.9	32.8	76.4
Profit Attributable to Equity Holders of the Company	235.3	21.4	998.2	290.8	64.4	351.7

Earnings per Share	72.2 cents	6.4 cents		89.2 cents	18.7 cents	
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	As at 30.6.2007	As at 31.12.2006
Equity Attributable to Equity Holders of the Company	\$1,668,864,000	\$1,289,322,000
Net Asset Value per Share	\$5.12	\$3.96

N.B.: All in Singapore dollars.

The Straits Trading Company Limited (Company Registration No. : 188700008D)

Second Quarter and Half Year Financial Statement and Dividend Announcement for the Period Ended 30 June 2007

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

The unaudited results of the Group for the 2nd quarter and half year ended 30 June 2007 are as follows :-

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenues				
Tin mining and smelting revenue	146,998	165,366	303,842	295,877
Hotel revenue	35,126	21,938	72,942	45,973
Property revenue	27,418	12,879	46,361	24,269
Proceeds from sale of trading securities	3,023	1,786	3,023	1,786
Investment income, gross	5,553	9,018	7,772	11,027
Fair value changes of financial assets	9,935	(2,025)	16,901	1,125
Other revenues including interest income	3,065	4,598	6,273	8,586
Total Revenues	231,118	213,560	457,114	388,643
Costs and Expenses				
Employee benefits expenses	(23,146)	(15,595)	(43,282)	(29,947)
Depreciation and amortisation	(4,332)	(4,893)	(9,698)	(9,048)
Exchange losses	(58)	(714)	(931)	(2,697)
Cost of tin mining and smelting	(117,856)	(146,446)	(254,693)	(258,401)
Costs of trading securities sold	(2,695)	(1,768)	(2,695)	(1,768)
Other operating expenses	(47,566)	(27,142)	(85,100)	(49,676)
Total Costs and Expenses	(195,653)	(196,558)	(396,399)	(351,537)
Profit from Operations	35,465	17,002	60,715	37,106
Finance costs	(1,668)	(1,545)	(3,248)	(6,084)
Share of results of joint ventures	24	46	62	92
Share of results of associates	177	575	321	1,689
Profit from Operations Before Exceptional Items	33,998	16,078	57,850	32,803
Exceptional items	229,228	9,136	270,207	38,267
Profit from Operations Before Taxation	263,226	25,214	328,057	71,070
Taxation	(26,032)	(3,118)	(34,696)	(4,562)
Profit for the period	237,194	22,096	293,361	66,508
Attributable to :				
Equity holders of the Company	235,329	21,429	290,775	64,367
Minority interests	1,865	667	2,586	2,141
	237,194	22,096	293,361	66,508

- Exceptional Items comprise :-

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Net surplus on disposal of investments	5,493	775	6,119	18,050
(b) Net surplus on disposal of a subsidiary	-	-	-	11,856
(c) Net gains on disposal of properties	2,005	1,310	2,005	1,310
(d) Fair value changes of investment properties	221,730	6,957	262,083	6,957
(e) Compensation award on land acquired	-	94	-	94
	<u>229,228</u>	<u>9,136</u>	<u>270,207</u>	<u>38,267</u>

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets as at 30 June 2007

	GROUP		COMPANY	
	30 June 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000	31 December 2006 \$'000
Non-Current Assets				
Property, plant and equipment	206,780	211,564	185	105
Investment properties	692,497	416,353	102,264	76,575
Base inventory	1,331	1,303	-	-
Investments in subsidiaries	-	-	120,470	120,191
Amounts due from subsidiaries	-	-	141,230	171,853
Joint ventures	378	460	-	-
Associates	19,639	18,908	3,585	3,585
Investments	402,516	304,128	294,349	212,106
Mining rights	2,388	3,076	-	-
Management rights	911	940	-	-
Deferred tax assets	7,892	8,626	-	-
Goodwill on consolidation	23,748	23,249	-	-
Other non-current assets	8,193	6,358	-	-
	<u>1,366,273</u>	<u>994,965</u>	<u>662,083</u>	<u>584,415</u>
Current Assets				
Properties held for sale	13,709	23,681	-	-
Inventories	131,162	132,267	-	-
Marketable securities	84,342	69,236	-	-
Trade and other receivables	92,184	85,896	1,087	1,171
Tax recoverables	10,258	8,928	33	5
Other financial assets	734	835	-	-
Cash at bank and on deposit	340,259	335,199	295,771	261,428
	<u>672,648</u>	<u>656,042</u>	<u>296,891</u>	<u>262,604</u>
Assets classified as held for sale	666	7,020	666	-
	<u>673,314</u>	<u>663,062</u>	<u>297,557</u>	<u>262,604</u>
Current Liabilities				
Borrowings	(127,063)	(148,831)	-	-
Trade and other payables	(61,900)	(67,946)	(3,368)	(3,458)
Other financial liabilities	(570)	(4,044)	(217)	(70)
Provision for taxation	(18,350)	(16,911)	(2,118)	(2,044)
Provisions	(202)	(36)	-	-
	<u>(208,085)</u>	<u>(237,768)</u>	<u>(5,703)</u>	<u>(5,572)</u>
Net Current Assets	<u>465,229</u>	<u>425,294</u>	<u>291,854</u>	<u>257,032</u>
Non-Current Liabilities				
Borrowings	(4,660)	(32)	-	-
Provisions	(6,027)	(6,056)	-	-
Other non-current liabilities	(43,926)	(44,514)	-	-
Deferred tax liabilities	(52,994)	(28,687)	(448)	(2,242)
	<u>(107,607)</u>	<u>(79,289)</u>	<u>(448)</u>	<u>(2,242)</u>
NET ASSETS	<u>1,723,895</u>	<u>1,340,970</u>	<u>953,489</u>	<u>839,205</u>
Equity attributable to equity holders of the Company				
Share capital	265,928	265,928	265,928	265,928
Reserves	1,402,936	1,023,394	687,561	573,277
	<u>1,668,864</u>	<u>1,289,322</u>	<u>953,489</u>	<u>839,205</u>
Minority Interests	55,031	51,648	-	-
TOTAL EQUITY	<u>1,723,895</u>	<u>1,340,970</u>	<u>953,489</u>	<u>839,205</u>

(Certain comparative figures have been adjusted to conform with current period's presentation.)

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

<i>As at 30/6/2007</i>		<i>As at 31/12/2006</i>	
Secured	Unsecured	Secured	Unsecured
-	\$127,063,000	\$13,000	\$148,818,000

Amount repayable after one year

<i>As at 30/6/2007</i>		<i>As at 31/12/2006</i>	
Secured	Unsecured	Secured	Unsecured
-	\$4,660,000	\$32,000	-

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Cash Flow Statement for the 2nd quarter and half year ended 30 June 2007

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flow from operating activities :				
Profit from operations	35,465	17,002	60,715	37,106
Adjustments for :				
Interest income	(2,067)	(2,590)	(4,554)	(4,251)
Investment income	(5,553)	(9,018)	(7,772)	(11,027)
Depreciation of property, plant and equipment	3,687	3,800	7,311	7,442
Gain on disposal of property, plant and equipment	(51)	(93)	(38)	(92)
Property, plant and equipment written off	-	4	15	30
Amortisation of mining rights	342	411	681	828
Amortisation of management rights	49	46	96	92
Amortisation of exploration and development cost	251	636	1,605	686
Amortisation of deferred income	(906)	(2,005)	(1,812)	(2,005)
Amortisation of club membership	3	-	5	-
Changes in fair value on financial assets	(9,935)	2,025	(16,901)	(1,125)
Provision for mine reclamation cost	336	240	675	481
Provision for employee benefits	751	185	1,507	673
(Write back)/provision of doubtful debts	(471)	10	(374)	(304)
Exploration costs written off	-	-	-	356
Operating profit before working capital changes	21,901	10,653	41,159	28,890
Decrease in properties held for sale	6,027	2,061	9,972	3,457
Decrease in inventories	96	4,408	1,105	32,065
Decrease in marketable securities	1,478	621	798	620
Increase in trade and other receivables	(19,000)	(29,873)	(5,869)	(43,707)
Decrease in trade and other payables	(2,893)	(4,426)	(7,939)	(9,983)
Cash generated from/(used in) operations	7,609	(16,556)	39,226	11,342
Interest expense	(1,837)	(1,498)	(3,961)	(5,327)
Income tax paid	(7,439)	(7,571)	(10,189)	(9,539)
Investment income	5,553	9,018	7,772	11,027
Dividends from associates	-	21	-	21
Interest income	2,056	2,616	5,101	4,325
Net cash flow from/(used in) operating activities	5,942	(13,970)	37,949	11,849
Cash flow from investing activities :				
Proceeds from sale of property, plant and equipment	8,170	16,111	8,267	19,342
Proceed from sale of property	-	-	-	390,000
Net cash flow from disposal of a subsidiary	-	-	-	17,270
Cost incurred on property, plant and equipment	(7,228)	(3,499)	(8,284)	(7,257)
Sale proceeds from investments	7,205	1,370	8,197	53,016
Purchase of investments	(221)	(194)	(908)	(194)
Net cash outflow on acquisition of a subsidiary (see note)	(182)	-	(182)	-
Payment of deferred mine development and exploration expenditure	(1,018)	(197)	(3,209)	(466)
Cost incurred on investment properties	(1,184)	(73)	(2,183)	(141)
Purchase of club membership	-	(139)	-	(139)
Net cash flow from investing activities	5,542	13,379	1,698	471,431
Cash flow from financing activities :				
Increase in borrowings/(loan repayment)	27,543	34,533	(17,140)	(219,037)
Decrease/(Increase) in amount due from a joint venture	134	(7)	144	62
Payment of dividends to minority shareholders of subsidiaries	(806)	-	(806)	(1,643)
Payment of dividends to shareholders	(19,032)	(78,215)	(19,032)	(78,215)
Payment pursuant to selective capital reduction and related expenses	-	(90,690)	-	(90,690)
Net cash flow from/(used in) financing activities	7,839	(134,379)	(36,834)	(389,523)
Net increase/(decrease) in cash and cash equivalents	19,323	(134,970)	2,813	93,757
Cash and cash equivalents at 1 January	318,523	387,803	335,199	159,719
Effects of exchange rate changes on balances held in foreign currencies	2,413	(1,350)	2,247	(1,993)
Cash and cash equivalents at 30 June	340,259	251,483	340,259	251,483
Cash and cash equivalents at 30 June consist of :				
Cash at bank and on deposit	340,259	251,483	340,259	251,483

Note: Acquisition of a Subsidiary

The fair value of the identifiable assets and liabilities of the subsidiary as at the date of acquisition was :

	<u>Recognised on acquisition</u> \$'000	<u>Carrying amount before combination</u> \$'000
Other receivable	304	304
Net identifiable asset	304	304
Minority interests	(122)	
Total purchase consideration	182	
Cash outflow on acquisition :		
Cash paid	(182)	
Net cash at bank acquired	-	
Net cash outflow on acquisition	(182)	

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity for the period ended 30 June 2007

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
At 1 January 2007	265,928	927	(10,651)	147,642	33	885,443	1,023,394	51,648	1,340,970
Exchange adjustment	-	-	1,668	-	-	-	1,668	364	2,032
Profit for 1st quarter	-	-	-	-	-	55,446	55,446	721	56,167
Net fair value changes on available-for-sale investments	-	-	-	54,500	-	-	54,500	(7)	54,493
Net fair value changes transferred to profit and loss account	-	-	-	(495)	-	-	(495)	-	(495)
Net fair value changes on cash flow hedges	-	-	-	(216)	-	-	(216)	(46)	(262)
Dividend on ordinary shares - 2nd interim dividend for 2006, payable	-	-	-	-	-	(9,516)	(9,516)	-	(9,516)
At 31 March 2007	265,928	927	(8,983)	201,431	33	931,373	1,124,781	52,680	1,443,389
Exchange adjustment	-	-	5,721	-	-	-	5,721	360	6,081
Profit for 2nd quarter	-	-	-	-	-	235,329	235,329	1,865	237,194
Net fair value changes on available-for-sale investments	-	-	-	48,846	-	-	48,846	(15)	48,831
Net fair value changes transferred to profit and loss account	-	-	-	(3,380)	-	-	(3,380)	-	(3,380)
Net fair value changes on cash flow hedges	-	-	-	1,155	-	-	1,155	776	1,931
Dividend on ordinary shares - Special dividend for 2006, paid	-	-	-	-	-	(9,516)	(9,516)	-	(9,516)
Dividend to minority shareholders of a subsidiary	-	-	-	-	-	-	-	(806)	(806)
Minority interests arising from acquisition of a subsidiary	-	-	-	-	-	-	-	122	122
Shares issued to a minority shareholder by a subsidiary	-	-	-	-	-	-	-	49	49
At 30 June 2007	265,928	927	(3,262)	248,052	33	1,157,186	1,402,936	55,031	1,723,895

Statements of Changes in Equity for the period ended 30 June 2007 (cont'd)

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
At 31 December 2005 as previously reported	356,400	77,590	(17,982)	148,156	33	665,246	873,043	56,420	1,285,863
Effect of adopting :									
<u>FRS 40</u>									
Transfer of revaluation reserve arising from investment properties to revenue reserve	-	(76,443)	-	-	-	76,443	-	-	-
Net revaluation surplus arising from properties reclassified to investment properties	-	-	-	-	-	34,687	34,687	-	34,687
At 1 January 2006 as restated	356,400	1,147	(17,982)	148,156	33	776,376	907,730	56,420	1,320,550
Exchange adjustment	-	-	(3,354)	-	-	-	(3,354)	(392)	(3,746)
Exchange loss transferred to profit and loss account	-	-	10,977	-	-	-	10,977	-	10,977
Profit for 1st quarter	-	-	-	-	-	42,938	42,938	1,474	44,412
Net fair value changes on available-for-sale investments	-	-	-	76,568	-	-	76,568	(13)	76,555
Net fair value changes transferred to profit and loss account	-	-	-	(25,400)	-	-	(25,400)	-	(25,400)
Net fair value changes on cash flow hedges	-	-	-	1,234	-	-	1,234	1,612	2,846
Minority interest on disposal of a subsidiary	-	-	-	-	-	-	-	7,254	7,254
Dividend to minority shareholders of subsidiary	-	-	-	-	-	-	-	(1,643)	(1,643)
Dividend on ordinary shares - 2nd interim dividend for 2005, payable	-	-	-	-	-	(13,036)	(13,036)	-	(13,036)
At 31 March 2006	356,400	1,147	(10,359)	200,558	33	806,278	997,657	64,712	1,418,769

Statements of Changes in Equity for the period ended 30 June 2007 (cont'd)

GROUP

	Attributable to equity holders of the Company								
	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Minority interests \$'000	Total equity \$'000
Exchange adjustment	-	-	(1,937)	-	-	-	(1,937)	(974)	(2,911)
Profit for 2nd quarter	-	-	-	-	-	21,429	21,429	667	22,096
Net fair value changes on available-for-sale investments	-	-	-	(57,202)	-	-	(57,202)	(8)	(57,210)
Net fair value changes transferred to profit and loss account	-	-	-	(231)	-	-	(231)	-	(231)
Net fair value changes on cash flow hedges	-	-	-	936	-	-	936	832	1,768
Reduction of share capital pursuant to selective capital reduction and related expenses	(90,472)	-	-	-	-	(218)	(218)	-	(90,690)
Dividend on ordinary shares - Special dividend for 2005, paid	-	-	-	-	-	(65,179)	(65,179)	-	(65,179)
At 30 June 2006	265,928	1,147	(12,296)	144,061	33	762,310	895,255	65,229	1,226,412

Statements of Changes in Equity for the period ended 30 June 2007 (cont'd)

COMPANY

	Share capital \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000
At 1 January 2007	265,928	(1,232)	107,839	466,670	839,205
Exchange adjustment	-	456	-	-	456
Fair value changes on available-for-sale investments	-	-	45,569	-	45,569
Profit for 1st quarter	-	-	-	6,348	6,348
Dividend on ordinary shares - 2nd interim dividend for 2006, payable	-	-	-	(9,516)	(9,516)
At 31 March 2007	265,928	(776)	153,408	463,502	882,062
Exchange adjustment	-	528	-	-	528
Fair value changes on available-for-sale investments	-	-	40,199	-	40,199
Fair value changes transferred to profit and loss account	-	-	(2,639)	-	(2,639)
Profit for 2nd quarter	-	-	-	42,855	42,855
Dividend on ordinary shares - Special for 2006, paid	-	-	-	(9,516)	(9,516)
At 30 June 2007	265,928	(248)	190,968	496,841	953,489

Statements of Changes in Equity for the period ended 30 June 2007 (cont'd)

COMPANY

	Share capital \$'000	Revaluation reserve \$'000	Exchange translation reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000
At 31 December 2005 as previously reported	356,400	26,010	(468)	131,681	488,639	1,002,262
FRS 40 Transfer of revaluation reserve arising from investment properties to revenue reserve	-	(26,010)	-	-	26,010	-
Net revaluation surplus arising from properties reclassified to investment properties	-	-	-	-	29,718	29,718
At 1 January 2006 as restated	356,400	-	(468)	131,681	544,367	1,031,980
Exchange adjustment	-	-	(25)	-	-	(25)
Fair value changes on available-for-sale investments	-	-	-	49,756	-	49,756
Net fair value changes transferred to profit and loss account	-	-	-	(41,498)	-	(41,498)
Profit for 1st quarter	-	-	-	-	44,436	44,436
Cancellation of subsidiaries' indebtedness	-	-	-	-	(119,658)	(119,658)
Dividend on ordinary shares - 2nd interim dividend for 2005, payable	-	-	-	-	(13,036)	(13,036)
At 31 March 2006	356,400	-	(493)	139,939	456,109	951,955
Exchange adjustment	-	-	(715)	-	-	(715)
Profit for 2nd quarter	-	-	-	-	9,850	9,850
Fair value changes on available- for-sale investments	-	-	-	(36,216)	-	(36,216)
Reduction of share capital pursuant to selective capital reduction and related expenses	(90,472)	-	-	-	(218)	(90,690)
Dividend on ordinary shares - Special dividend for 2005, paid	-	-	-	-	(65,179)	(65,179)
At 30 June 2006	265,928	-	(1,208)	103,723	400,562	769,005

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not applicable.

- 1(e) Negative assurance confirmation on interim financial results pursuant to Rule 705(4) of the SGX's Listing Manual.**

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the second quarter 2007 financial results to be false or misleading in any material aspect.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2006, as well as adoption of various relevant new or revised Financial Reporting Standard (FRS) and Interpretations to FRS (INT FRS) which become effective for the financial year beginning on or after 1 January 2007.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The adoption of the new or revised FRS or INT FRS does not have any material financial impact on the Group and the Company.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	2nd Quarter (Q2)		Half Year Ended 30 June	
	2007	2006	2007	2006
Basic and Diluted Earnings per share for the period based on Group profit attributable to Equity Holders of the Company :-	72.2 cents	6.4 cents	89.2 cents	18.7 cents

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**

(a) **current financial period reported on; and**

(b) **immediately preceding financial year.**

Net asset value per share based on issued share capital at the end of :-	30 June 2007	31 December 2006
The Group	\$5.12	\$3.96
The Company	\$2.93	\$2.58

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

(a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

(b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overall review

The Group's core businesses comprise (a) metals and mineral resources, (b) hotel investment and management, (c) property operations and (d) financial investments.

Net earnings of \$235.3 million in Q2 2007 showed a significant improvement compared with \$21.4 million in Q2 2006 on the back of a substantial increase in the fair value surpluses from the Group's investment properties as well as trading securities. Profit from operations before exceptional items has also more than doubled to \$34.0 million in Q2 2007 compared with \$16.1 million in Q2 2006, due to improvements from all business units with the exception of hotel and investment income.

Year to date, the Group reported substantially higher net earnings of \$290.8 million in H1 2007 compared with \$64.4 million in H1 2006 contributed by, in particular, the recognition of substantial fair value surpluses recorded in Q2 2007. The higher earnings were also boosted by better operational results from most of the business units.

Segmental review

Metals and mineral resources

Profit before taxation from Malaysia Smelting Corporation Berhad (MSC) Group increased 58.8% from RM10.5 million in Q2 2006 to RM16.7 million in Q2 2007. The higher profit was partly due to the higher tin prices and the positive turnaround in the performance of PT Koba Tin (MSC's 75% owned subsidiary) in Q2 2007. PT Koba Tin was granted export licence on 18 April 2007 to resume delivery and shipment of its production of tin metal from its own dredging and gravel pump mining operations.

Hotel investment and management

Hotel revenue increased 60.1% from \$21.9 million in Q2 2006 to \$35.1 million in Q2 2007 as a number of new hotels were added to the Group in H2 2006. The growth in revenue was also contributed by the hotels in Perth and Singapore. Strong corporate market in Perth has raised both occupancy and average room rates, whilst average room rates in Singapore have seen significant improvement from the Meetings, Incentives, Conferences and Events (MICE) market and increases in tourist arrivals.

However, the Q2 2007 results were affected by lower room as well as food and beverage sales from the recently contracted Auckland hotel. Construction/ Refurbishment works at the respective hotel in Broome and Port Douglas, Australia have continued to adversely affect occupancy rates.

Property operations

Property revenue increased by 112.9% from \$12.9 million in Q2 2006 to \$27.4 million in Q2 2007 as the Group capitalised on the robust property market and sold more units at Gallop Gables condominium in Q2 2007 compared with Q2 2006. Higher rental rates achieved for new leases have also contributed to the increase.

Financial investments

The Group continued to benefit from the buoyant equity markets and recorded a \$9.9 million increase in fair value on its trading securities in Q2 2007 compared with a \$2.0 million decrease in Q2 2006.

On the other hand, dividend income from Group's investments decreased by 38.4% from \$9.0 million in Q2 2006 to \$5.6 million in Q2 2007, mainly due to lower or absence of special dividend payout as well as the divestment of some of the Group's long term investments.

Exceptional Items

The significant exceptional gain of \$229.2 million in Q2 2007 was due to the recognition of fair value surpluses of \$221.7 million from the revaluation of the Group's investment properties, net surplus arising from sale of the Group's long term investments and land plots in Malaysia.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The 2nd quarter and half year results ended 30 June 2007 are broadly in line with the prospect statement disclosed in the 2007 1st quarter financial statements announcement made on 10 May 2007, with the exception of the substantial gain arising from the revaluation of the Group's investment properties.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Metals and mineral resources

MSC Group is expected to perform better in the second half of the year as PT Koba Tin has been granted approval to resume small scale mining operations within its Contract of Work area under a new sub-contracting arrangement in addition to the production from its dredging and gravel pump mining operations. Profit margins will improve further with higher tin prices.

The Group is also currently evaluating potential investments in other mineral resources such as coal and gold to further expand and diversify the metals and mineral resources operations.

Hotel investment and management

Upon completion of the construction/refurbishment works on Broome, Port Douglas, Melbourne and the three Marque hotels as well as the continue cost reviews of the hotel portfolio, the Group would expect further improvements from its existing hotels. New hotels in Guilin and Christchurch are expected to commence operations in 2008. In addition, the Group is continuously looking for new hotel management contracts with the focus on the Greater China and South East Asia.

Property operations

With rising property prices in Singapore, in 2007, a substantial portion of the Group's property profits will come from the sale of the Group's residential properties.

The Group is also exploring some development work outside Singapore. In certain strategic cities, the Group's property team may partner with the hotel operation to embark on hotel development work to expand the Group's hotel portfolio.

Financial investments

Activities from the trading securities are expected to remain low and dividend income from investments is likely to be lower for 2007 due to the reduced investments portfolio size. The Group's current investment portfolio has no exposure in the US sub-prime mortgage market.

Contingent Liabilities

Since the Company's last announcement on 10 May 2007 of its Q1 interim financial statement, there was no new development on the following outstanding material litigations against the subsidiary, MSC :

- (a) A claim from a party against MSC and three others, seeking a declaration that the award for the sale of 100% issued shares of Rahman Hydraulic Tin Sdn. Bhd. (RHT) to MSC pursuant to an open tender process, be declared null and void. The party also filed an injunction to restrain the Administrator of RHT from proceeding with the sale. Both the claim and the injunction were dismissed by the High Court with costs. The party has filed an appeal on 8 March 2005 and no date has been fixed for hearing.
- (b) A statement of claim for RM45 million plus interest at 8% per annum and legal costs was filed against MSC for an alleged breach of a Share Subscription Agreement made between the Plaintiff and MSC. The breach was in fact committed by the Plaintiff, entitling MSC to terminate the agreement. MSC has filed its Statement of Defence on 18 November 2005 disputing liability. To-date, the Plaintiff has not proceeded further on the case.
- (c) On 7 February 2006, MSC received a statement of claim from a system provider for RM1.28 million plus interest at 8% per annum and legal costs for alleged cost overruns in the implementation of an Enterprise Resource Planning System. The claim came after more than a year following the completion of the implementation. MSC has filed its Statement of Defence disputing liability.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

<i>Name of Dividend</i>	First Interim
<i>Dividend Type</i>	Cash
<i>Dividend Amount per Share (in cents)</i>	2.5 cents per ordinary share less tax
<i>Tax Rate</i>	27% (Malaysian tax)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

<i>Name of Dividend</i>	First Interim
<i>Dividend Type</i>	Cash
<i>Dividend Amount per Share (in cents)</i>	2 cents per ordinary share (one-tier tax)
<i>Tax Rate</i>	N.A.

(c) Date payable

13 September 2007

(d) Books closure date

The share register of the Company will be closed on 4 September and 5 September 2007 for the preparation of warrants. Registrable transfers received by the Company's Registrars, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at 8 Cross Street, #11-00 PWC Building, Singapore 048424, up to 5.00 p.m. on 3 September 2007 will be registered before entitlements to the dividend are determined.

The Directors have declared a first interim dividend of 2.5 cents per share, less Malaysian income tax at 27% in respect of the financial year ending 31 December 2007.

The above dividend will be paid on 13 September 2007 to shareholders on the share register on 5 September 2007.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

BY ORDER OF THE BOARD

Emily Teo (Ms)

Secretary

14 August 2007

Singapore