

Financial Statements for the Second Quarter and Half Year ended 30 June 2008

Part 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

No.1(a) An Income Statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Notes | Group 3 months Ended 30 June | | | Group 6 months Ended 30 June | | |
|--|-------|---------------------------------|-------------------|---------------|---------------------------------|-------------------|---------------|
| | | 2008 US\$ '000 | 2007 US\$ '000 | Variance % | 2008 US\$ '000 | 2007 US\$ '000 | Variance % |
| Revenue | | 31,093 | 20,128 | 54.5 | 55,353 | 37,402 | 48.0 |
| Cost of sales | | (30,862) | (18,500) | 66.8 | (53,580) | (35,275) | 51.9 |
| Gross profit | | 231 | 1,628 | (85.8) | 1,773 | 2,127 | (16.6) |
| (Expense)/Income | | | | | | | |
| Selling and Distribution expenses | | (484) | (158) | NM | (2,580) | (208) | NM |
| Administrative expenses | | (2,728) | (3,627) | (24.8) | (5,377) | (5,971) | (9.9) |
| Finance costs | | (1,347) | (717) | 87.9 | (2,652) | (1,375) | 92.9 |
| Other Operating expenses | | (139) | 163 | NM | (487) | (558) | (12.7) |
| Other Income | | 2,695 | 1,904 | 41.5 | 3,893 | 2,117 | 83.9 |
| Fair value gain on forest assets | | 5,332 | 5,741 | (7.1) | 10,664 | 11,483 | (7.1) |
| Fair value gain on financial instruments | | 104 | 0 | NM | 69 | 0 | NM |
| Depreciation & amortisation expense | | (727) | (737) | (1.4) | (1,368) | (820) | 66.8 |
| Profit before taxation | 1 | 2,937 | 4,197 | (30.0) | 3,935 | 6,795 | (42.1) |
| Tax expenses | 2 | (1,856) | (1,848) | 0.4 | (3,455) | (3,450) | 0.1 |
| Profit after taxation | | 1,081 | 2,349 | (54.0) | 480 | 3,345 | (85.7) |
| Attributable to: | | | | | | | |
| Equity holders of the company | | 1,081 | 2,349 | (54.0) | 480 | 3,345 | (85.7) |
| Minority Interest | | - | - | | - | - | |
| | | 1,081 | 2,349 | (54.0) | 480 | 3,345 | (85.7) |

NM : Not meaningful

Notes to Income Statement

1 Profit before taxation is arrived after (crediting) / charging the following:

| | Group | | | Group | | |
|--|------------------------|------|-----------|------------------------|-------|----------|
| | 3 Months Ended 30 June | | | 6 Months Ended 30 June | | |
| | 2008 | 2007 | Variance | 2008 | 2007 | Variance |
| US\$ '000 | US\$ '000 | % | US\$ '000 | US\$ '000 | % | |
| Interest income | (40) | (31) | 29.0 | (49) | (134) | (63.4) |
| (Reversal of allowance for)/Allowance for doubtful debts | (1,795) | 38 | NM | (1,795) | 38 | NM |
| Foreign exchange gain – realised | (12) | (69) | (82.6) | (12) | (84) | (85.7) |
| Foreign exchange (gain) / loss – unrealised | (392) | 416 | NM | (1,528) | 51 | NM |
| Gain on disposal of property, plant and equipment | (19) | (75) | NM | - | (74) | NM |
| Property, plant and equipment written off | - | 7 | NM | - | 7 | NM |

2 Tax expenses can be analysed as follows:

| | Group | | | Group | | |
|--|------------------------|-------|-----------|------------------------|-------|----------|
| | 3 Months Ended 30 June | | | 6 Months Ended 30 June | | |
| | 2008 | 2007 | Variance | 2008 | 2007 | Variance |
| US\$ '000 | US\$ '000 | % | US\$ '000 | US\$ '000 | % | |
| Current Tax | - | (9) | NM | - | 5 | NM |
| Deferred Tax | 1,856 | 1,845 | 0.6 | 3,455 | 3,445 | 0.3 |
| | 1,856 | 1,836 | 1.1 | 3,455 | 3,450 | 0.1 |
| Underprovision in respect of prior years | - | 12 | NM | - | - | 0.0 |
| | 1,856 | 1,848 | 0.4 | 3,455 | 3,450 | 0.1 |

NM : Not meaningful

No.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.

| | Group | | Company | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | As at 30.06.08 US\$ '000 | As at 31.12.07 US\$ '000 | As at 30.06.08 US\$ '000 | As at 31.12.07 US\$ '000 |
| Non-Current Assets | | | | |
| Forest asset | 258,572 | 249,507 | - | - |
| Property, plant and equipment | 46,083 | 46,146 | 260 | 249 |
| Amounts due from subsidiaries | - | - | 89,322 | 80,342 |
| Investments in subsidiaries | - | - | 138,832 | 130,827 |
| Other investments | 75 | 128 | - | 59 |
| Deferred tax assets | 79 | 79 | - | - |
| Goodwill on consolidation | 21,648 | 20,400 | - | - |
| | <u>326,457</u> | <u>316,260</u> | <u>228,414</u> | <u>211,477</u> |
| Current Assets | | | | |
| Construction work-in-progress | 1,771 | 326 | - | - |
| Completed properties held for sale | 1,458 | 1,369 | - | - |
| Inventories | 3,687 | 9,466 | - | - |
| Trade receivables | 29,201 | 25,203 | - | - |
| Other receivables | 40,951 | 39,932 | 7,232 | 8,131 |
| Cash on hand and at banks | 4,583 | 6,733 | 178 | 1,382 |
| | <u>81,651</u> | <u>83,029</u> | <u>7,410</u> | <u>9,513</u> |
| Current Liabilities | | | | |
| Construction progress billings in excess of costs | (11,333) | (7,198) | - | - |
| Trade payables | (19,082) | (20,327) | - | - |
| Other payables | (28,103) | (25,370) | (14,553) | (8,710) |
| Hire purchase creditors | (402) | (116) | - | - |
| Provision for taxation | (1,060) | (1,220) | (655) | (672) |
| Short term loans & borrowings | (17,103) | (15,174) | - | - |
| | <u>(77,073)</u> | <u>(69,405)</u> | <u>(15,208)</u> | <u>(9,382)</u> |
| Net Current Assets | 4,578 | 13,624 | (7,798) | 131 |
| Non-Current Liabilities | | | | |
| Deferred tax liabilities | (73,337) | (87,143) | - | - |
| Derivative liability | (335) | (405) | (335) | (405) |
| Non-current payables | (324) | - | (3,237) | (3,050) |
| Hire purchase creditors | (199) | (121) | - | - |
| Long term loans & borrowings | (25,479) | (23,951) | (25,479) | (23,951) |
| | <u>(99,674)</u> | <u>(91,620)</u> | <u>(29,051)</u> | <u>(27,406)</u> |
| Net Assets | <u>231,361</u> | <u>238,264</u> | <u>191,565</u> | <u>184,202</u> |
| Represented by: | | | | |
| Equity attributed to equity holders of the company | | | | |
| Share capital | 209,560 | 209,560 | 209,560 | 209,560 |
| Reserves | 21,800 | 28,703 | (17,995) | (25,358) |
| | <u>231,360</u> | <u>238,263</u> | <u>191,565</u> | <u>184,202</u> |
| Minority interests | 1 | 1 | - | - |
| Total Equity | <u>231,361</u> | <u>238,264</u> | <u>191,565</u> | <u>184,202</u> |

No.1(b)(II) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at 30/06/2008 (US\$) | | As at 31/12/2007 (US\$) | |
|-------------------------|-----------|-------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$17,505,000 | -- | \$15,290,000 | -- |

These represent aggregate balances of hire purchase creditors and short term loans.

Amount repayable after one year

| As at 30/06/2008 (US\$) | | As at 31/12/2007 (US\$) | |
|-------------------------|-----------|-------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$25,678,000 | -- | \$24,072,000 | -- |

These represent aggregate balances of non-current hire purchase creditors and long term loans.

Details of any collateral

The following sets out the details of the collateral for the Group's borrowings from the various financial institutions:

- (a) Charge on fixed deposit of US\$1.4m of a subsidiary;
- (b) Assignment of proceeds from certain construction projects of a subsidiary;
- (c) Assignment of key contracts and insurances in connection to the wood chip mill project;
- (d) Charge on all assets of the wood chip mill cost of approximately US\$39.0m of a subsidiary; and;
- (e) Assignment of bank accounts of a subsidiary for which proceeds from wood chip sales are received.

No.1(c) A Cash Flow Statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | Group | |
|---|---|-------------------|---|-------------------|
| | 3 months ended 30 June 2008 US\$ '000 | 2007 US\$ '000 | 6 months ended 30 June 2008 US\$ '000 | 2007 US\$ '000 |
| Cash flows from operating activities: | | | | |
| Profit before taxation | 2,937 | 4,197 | 3,935 | 6,795 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 727 | 737 | 1,368 | 820 |
| Gain arising from increase in fair value less estimated point-of-sale costs of forest asset | (5,332) | (5,741) | (10,664) | (11,483) |
| Gain arising from increase in fair value of options | (104) | - | (69) | - |
| Interest expenses | 1,346 | 242 | 2,651 | 900 |
| Interest income | (40) | (31) | (49) | (134) |
| Gain on disposal of property, plant & equipment | (19) | (75) | - | (74) |
| Property, plant and equipment written-off | 1 | - | - | 7 |
| Operating cash flow before working capital changes | (484) | (671) | (2,828) | (3,169) |
| (Increase) / Decrease in: | | | | |
| Completed properties held for sale | - | (14) | - | - |
| Construction work-in-progress, net of construction billings in excess of costs | 4,693 | 378 | 2,334 | (400) |
| Inventories | 3,063 | (305) | 6,604 | (1,848) |
| Trade and other receivables | (6,450) | 387 | (1,031) | 6,607 |
| Decrease in trade and other payables | (2,024) | (1,983) | (983) | (8,838) |
| Cash flows (used in) / from operations | (1,302) | (2,208) | 3,996 | (7,648) |
| Tax paid | 1,427 | 202 | (241) | (377) |
| Interest paid | (1,346) | (242) | (2,651) | (900) |
| Net cash flows (used in) / from operating activities | (1,221) | (2,248) | 1,104 | (8,925) |
| Cash flows from investing activities | | | | |
| Addition in cost of forest asset | (901) | (1,389) | (2,090) | (1,541) |
| Interest received | 40 | 29 | 49 | 133 |
| Proceeds from disposals of property, plant and equipment | 32 | 5,536 | 185 | 5,539 |
| Proceeds from disposal of quoted shares | 60 | - | 62 | - |
| Purchase of property, plant & equipment | (2,198) | (5,265) | (1,902) | (5,451) |
| Net cash flows used in investing activities | (2,967) | (1,089) | (3,696) | (1,320) |
| Cash flows from financing activities | | | | |
| Increase in pledge of fixed deposits | - | 2 | - | - |
| Proceeds from / (repayment of) bank borrowings, net | 4,292 | (1,238) | 1,066 | (3,100) |
| Proceeds from / (repayment of) hire purchase | 392 | 185 | 349 | (90) |
| Net cash flows from / (used in) financing activities | 4,684 | (1,051) | 1,415 | (3,190) |
| Effect of exchange rate changes | (2,417) | (1,042) | (1,057) | 571 |
| Net decrease in cash and cash equivalents | (1,921) | (5,430) | (2,234) | (12,864) |
| Cash and cash equivalents at beginning of period | 5,037 | 25,789 | 5,350 | 33,223 |
| Cash and cash equivalents at end of period | 3,116 | 20,359 | 3,116 | 20,359 |
| Cash on hand and at banks comprises cash and cash equivalents and secured fixed deposits as follows: | | | | |
| Cash and cash equivalent | 3,116 | 20,359 | 3,116 | 20,359 |
| Fixed deposits, secured | 1,467 | 1,233 | 1,467 | 1,233 |
| | 4,583 | 21,592 | 4,583 | 21,592 |

No. 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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| GROUP | Attributable to shareholders | | | | | | | Total Equity US\$ '000 |
|--|------------------------------|--------------------|------------------------------------|-------------------|--------------------------------|-------------------|-----------------------|---------------------------|
| | Issued Capital | Capital Reserve | Foreign Currency Translation | Other Reserves | Accumulated (Loss) / Profit | Total Reserves | Minority Interests | |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | |
| 2007 | | | | | | | | |
| Balance as at 1 January 2007 | 209,560 | - | (1,916) | (62,479) | 89,076 | 24,681 | 1 | 234,242 |
| Net effect of exchange differences | - | - | 85 | - | - | 85 | - | 85 |
| Net income and expense recognised directly in equity | - | - | 85 | - | - | 85 | - | 85 |
| Profit for the period | - | - | - | - | 3,345 | 3,345 | - | 3,345 |
| Total recognised income and expenses for the period | - | - | 85 | - | 3,345 | 3,430 | - | 3,430 |
| Balance as at 30 June 2007 | 209,560 | - | (1,831) | (62,479) | 92,421 | 28,111 | 1 | 237,672 |

| GROUP | Attributable to shareholders | | | | | | | Total Equity US\$ '000 |
|--|------------------------------|--------------------|------------------------------------|-------------------|--------------------------------|-------------------|-----------------------|---------------------------|
| | Issued Capital | Capital Reserve | Foreign Currency Translation | Other Reserves | Accumulated (Loss) / Profit | Total Reserves | Minority Interests | |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | |
| 2008 | | | | | | | | |
| Balance as at 1 January 2008 | 209,560 | - | 1,189 | (62,479) | 89,993 | 28,703 | 1 | 238,264 |
| Net effect of exchange differences | - | - | (7,383) | - | - | (7,383) | - | (7,383) |
| Net income and expense recognised directly in equity | - | - | (7,383) | - | - | (7,383) | - | (7,383) |
| Profit for the period | - | - | - | - | 480 | 480 | - | 480 |
| Total recognised income and expenses for the period | - | - | (7,383) | - | 480 | (6,903) | - | (6,903) |
| Balance as at 30 June 2008 | 209,560 | - | (6,194) | (62,479) | 90,473 | 21,800 | 1 | 231,361 |

| COMPANY | Attributable to shareholders | | | | | | | |
|--|------------------------------|-----------------|------------------------------|----------------|---------------------------|----------------|--------------------|--------------|
| | Issued Capital | Capital Reserve | Foreign Currency Translation | Other Reserves | Accumulated (Loss)/Profit | Total Reserves | Minority Interests | Total Equity |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| 2007 | | | | | | | | |
| Balance as at 1 January 2007 | 209,560 | - | 9,594 | 5,826 | (42,082) | (26,662) | - | 182,898 |
| Net effect of exchange differences | - | - | 20 | - | - | 20 | - | 20 |
| Net income and expense recognised directly in equity | - | - | 20 | - | - | 20 | - | 20 |
| Loss for the period | - | - | - | - | (3,769) | (3,769) | - | (3,769) |
| Total recognised income and expenses for the period | - | - | 20 | - | (3,769) | (3,749) | - | (3,749) |
| Balance as at 30 June 2007 | 209,560 | - | 9,614 | 5,826 | (45,851) | (30,411) | - | 179,149 |

| COMPANY | Attributable to shareholders | | | | | | | |
|--|------------------------------|-----------------|------------------------------|----------------|---------------------------|----------------|--------------------|--------------|
| | Issued Capital | Capital Reserve | Foreign Currency Translation | Other Reserves | Accumulated (Loss)/Profit | Total Reserves | Minority Interests | Total Equity |
| | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 | US\$ '000 |
| 2008 | | | | | | | | |
| Balance as at 1 January 2008 | 209,560 | - | 20,975 | 5,826 | (52,159) | (25,358) | - | 184,202 |
| Net effect of exchange differences | - | - | 11,216 | - | - | 11,216 | - | 11,216 |
| Net income and expense recognised directly in equity | - | - | 11,216 | - | - | 11,216 | - | 11,216 |
| Loss for the period | - | - | - | - | (3,853) | (3,853) | - | (3,853) |
| Total recognised income and expenses for the period | - | - | 11,216 | - | (3,853) | 7,363 | - | 7,363 |
| Balance as at 30 June 2008 | 209,560 | - | 32,191 | 5,826 | (56,012) | (17,995) | - | 191,565 |

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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer 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.

There has been no change in the Company's share capital since the end of the previous period reported on 31 December 2007.

The numbers of shares that may be issued on conversion of all the outstanding convertibles as at 30 Jun 2008 and as at 30 Jun 2007 are as follows :

| | As at | As at |
|--|---------------|---------------|
| | 30 Jun 2008 | 30 Jun 2007 |
| | No. of Shares | No. of Shares |
| Shares to be issued pursuant to the full conversion of the convertible bond ^(A) | 107,000,000 | - |
| Shares to be issued pursuant to the settlement of second tranche shares ^(B) | 92,472,953 | 92,472,953 |
| Total | 199,472,953 | 92,472,953 |

Notes :

A. United Fiber System Limited (the "Company") issued a US\$25m convertible bond on 6 August 2007.

The Company executed a subscription agreement (the "Subscription Agreement") between the Company and Abax Lotus Ltd (the "Investor") to issue unsecured zero-coupon convertible bonds due 2012 at an aggregate principal amount of US\$25,000,000 (collectively, the "Bonds") to the Investor at an issue price of 100% of the principal amount of the Bonds. The Bonds are convertible into new ordinary shares in the capital of the Company (collectively, the "Conversion Shares").

On 14 August 2007, the Company announced that it had issued the Bonds due 2010 of an aggregate amount of US\$25m.

On 7 September 2007, the Singapore Exchange Securities Trading Limited (the "SGX-ST") had given in-principle approval for the listing and quotation of up to 107 million conversion shares to be issued on conversion of the given Bonds from time to time.

The Bonds remain outstanding as at 30 June 2008.

The Investor has indicated that they will put US\$6m of the outstanding principal amount, with payment due on 13th August, 2008. The remaining principal amount of the Bonds will continue to be outstanding as per the terms and conditions of the Bonds.

B. Settlement of 2nd tranche shares and balance deferred cash consideration in connection to acquisition of Anrof Singapore Limited ("ASL")

Pursuant to the acquisition of the ASL group of companies in 2002, the Company has agreed to issue a total of 92,472,953 new ordinary shares upon satisfaction of certain conditions precedent, including the completion of the sale and purchase agreement between an Indonesian subsidiary and a third party relating to the purchase of the forest plantation in Kalimantan, Indonesia.

The agreement has been extended till 31 December 2008.

1 (d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| | As at 30 Jun 2008 '000 | As at 30 Jun 2007 '000 |
|--|------------------------------|------------------------------|
| Total number of issued shares | 2,310,814 | 2,310,814 |
| Less : Treasury shares | - | - |
| Total number of Issued shares excluding treasury shares | <u>2,310,814</u> | <u>2,310,814</u> |

1 (d)(iv) A statement showing all the sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2 Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or practice.

The figures have not been audited nor reviewed by our 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.

Except as disclosed in Q108, the accounting policies and methods of computation are consistent with those applied in the audited financial statements for the year ended 31 December 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.

Change in accounting estimate - recognition of revenue and profit on construction contracts

Unifiber recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably.

As noted in Q108 announcement, with effect from Q108, Unifiber has decided to recognize contract revenue and cost on projects of which the Construction Division is able to estimate reasonably and reliably and of which the percentage of completion is not less than 5% as against the previous of 20%.

This change has resulted in the recognition of additional gross profits of US\$1.3m and US\$1.5m in the Q208 and 1H08 financial figures, respectively.

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.

Earnings per ordinary share of the Group based on net profit attributable to the equity holders of the Company:

| | Group | | Group | |
|--|-------------------------|---------------|-------------------------|---------------|
| | 3 months ending 30 June | | 6 months ending 30 June | |
| | 2008 | 2007 | 2008 | 2007 |
| (i) Basic earning per share (US cents) | 0.05 | 0.10 | 0.02 | 0.14 |
| - Weighted average number of shares | 2,310,814,068 | 2,310,814,068 | 2,310,814,068 | 2,310,814,068 |
| (ii) Diluted earning per share (US cents) | 0.05 | 0.10 | 0.02 | 0.14 |
| - Adjusted weighted average number of shares | 2,403,287,021 | 2,403,287,021 | 2,403,287,021 | 2,403,287,021 |

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting income statement effects of dilutive convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The calculation of diluted earnings per share does not assume conversion of US\$25m convertible bonds due 2010 that would have an anti-dilutive effect on earnings per share for the period ended 30 June 2008.

7 Net asset value (for the issuer and group) per ordinary share based on, the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | US Cents | | US Cents | |
| | As at 30.06.08 | As at 31.12.07 | As at 30.06.08 | As at 31.12.07 |
| Net asset value per share | 10.01 | 10.31 | 8.29 | 7.97 |

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.

a. **Group performance**

Overview

Q208 group revenue was US\$31.1m, an increase of US\$11.0m from US\$20.1m achieved in Q207. The higher revenue was due to:

- Construction revenue stream increased by US\$6.8m (Q208: US\$26.7m versus Q207: US\$19.9m). This is attributed mainly to progressive completion on construction projects of higher contract value and the appreciation of SGD against USD.
- Woodchips and logs sales revenue increased by US\$4.4m, mainly due to higher sales.

Group profit after taxation was US\$1.1m, a decrease of US\$1.3m from US\$2.4m in Q207. The lower group profit after taxation was due to the following factors mentioned below:

Selling and distribution expenses

Selling and distribution expenses increased from US\$0.2m in Q207 to US\$0.5m in Q208, mainly due to higher expenses incurred by the Forestry and Pulp Division, in line with the higher sales achieved this year.

Administrative expenses

Administrative expenses decreased from US\$3.6m in Q207 to US\$2.7m in Q208, due to lower insurance expenses and lower manpower costs. During Q207, US\$0.4m one-time fee was incurred in the drawdown of a loan facility.

Finance cost

Finance cost increased from US\$0.7m in Q207 to US\$1.4m in Q208. Finance cost in Q208 was mainly due to interest expense on the convertible bonds and on borrowings relating to the construction of the woodchip mill asset. Finance cost in Q207 was mainly related to bank loans.

Other income

Other income increased from US\$1.9m in Q207 to US\$2.7m in Q208. Other income in Q208 was mainly due to a reversal of provision for doubtful debts of US\$1.8m, unrealized foreign exchange gain of US\$0.4m arising from the revaluation of the convertible bonds and compensation of US\$0.3m received from land claim. Other income in Q207 was mainly due to reversal of interest related to the reforestation loan.

Gain arising from increase in fair value less estimated point-of-sale costs of forest asset

Management did not engage a third party to conduct a formal valuation of the forest asset for this quarter and that of the comparative quarter. The gain has been recorded on assumption of constant growth of the biological asset over time and stable and positive market pricing condition.

This gain is based on the lower of the quarterly prorated gain over the year of 2006 to 2007.

Gain arising from increase in fair value of financial instruments

The gain of US\$0.1m in Q208 was due to a decrease in fair value of the embedded derivatives as at 30 June 2008, compared to 31 March 2008. There was no such instrument in Q207.

Depreciation and amortisation expense

Depreciation and amortisation expense remained at US\$0.7m for Q207 and Q208. This was mainly due to the woodchip mill which commenced operation in Q207.

b. Significant balance sheet movements

In addition to those described above, the following sets out the major factors affecting cashflow, assets and liabilities of the Group during the current financial period:

Forest asset

The forest asset recorded a net increase of US\$9.1m in the fair value less estimated point-of-sales costs of the forest asset since 31 December 2007. The increase was mainly due to prorated gain as discussed in 8a above.

Property, plant and equipment

Property, plant and equipment remained at US\$46.1m as at 30 June 2008 and 31 December 2007. This was mainly due to depreciation expenses of US\$1.8m and increase in fixed assets of US\$1.8m.

Inventories

Inventories decreased by US\$5.8m (30 June 2008: US\$3.7m; 31 December 2007: US\$9.5m), primarily due to higher log and woodchip sales.

Trade receivables

Trade receivables increased by US\$4.0m (30 June 2008: US\$29.2m; 31 December 2007: US\$25.2m) primarily due to higher receivables recorded at the Construction Division, in line with higher construction activities.

Construction work-in-progress

Construction work-in-progress increased by US\$1.5m (30 June 2008: US\$1.8m; 31 December 2007: US\$0.3m). This was due to higher construction activities not yet billed to developers.

Construction progress billing in excess of cost.

Construction progress billing in excess of cost increased by US\$4.1m (30 June 2008: US\$11.3m; 31 December 2007: US\$7.2m) mainly due to higher percentage of completion of on-going projects and completion of certain projects during the period.

Trade payables

Trade payables decreased by US\$1.2m (30 June 2008: US\$19.1m; 31 December 2007: US\$20.3m) mainly due to payments made to suppliers in the Forestry and Pulp Division.

Other payables

Other payables increased by US\$2.7m (30 June 2008: US\$28.1m; 31 December 2007: US\$25.4m) mainly due to increased payables in the Forestry and Pulp Division.

Short term and long term loans

The increase in short term and long term loans by US\$3.5m (30 June 2008: US\$42.6m; 31 December 2007: US\$39.1m) was mainly due to drawdown of a loan and interest provision.

Cashflow from financing activities

Cashflow from financing activities is US\$4.7m in Q208 whilst cashflow used in financing activities in Q207 is US\$1.1m.

Cashflow used in operating activities

Cashflow used in operating activities decreased from US\$2.3m in Q207 to US\$1.2m in Q208. This decrease is mainly due to increase in trade receivables in the Construction Division, offset by decreased level of inventories and construction work in progress.

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

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the 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.

Forestry and Pulp Division

(a) Forestry - PT Hutan Rindang Banua ("PT HRB")

The company is holding a forest concession of some 260,000ha in South Kalimantan, Indonesia. Some 80,000ha have been planted with Acacia Mangium. With wood logs currently fetching a very attractive price level in Indonesia due to the wood shortage situation in the country, harvesting of mature trees have been the recent focus of the Group. With more logs supply contracts to be secured with buyers, PT HRB is expected to contribute positively to the Group going forward. In addition, planting activities continue on empty land and on previously harvested areas.

(b) Wood Chip Mill – PT Manglum Anugerah Lestari ("PT MAL")

The mill, with an annual capacity of 700,000 Bone Dry Tonnes ("BDT") of wood chips, was commissioned in April 2007.

As demand remains strong for wood chips due to wood shortage in the region, management continues to work on improving the production of the mill.

(c) Pulp Mill Project - PT Marqa Buana Bumi Mulia ("PT MBBM")

Reference is made to the 2007 Annual report Note 33 Pulp Mill Project and the Company's announcement on 11 April 2008: Execution Of EPC Contract And Supplier's Credit Agreement For The Construction Of MBBM Pulp Mill.

The company is currently procuring the financing for the Advance Payment and non-binding term sheets have been executed with short-listed potential investors. The company expects to finalize the preferred financing structure to achieve the financing close of the project.

The Board will make further announcements upon the finalization of the terms of the financing package.

Construction Division

The order book at 30 June 2008 stands at a high of US\$379.1m (S\$515.5m). The company expects to secure key projects in the remaining of 2008 and is currently participating in the tenders of a number of prestigious projects in Singapore.

The division continues to place heavy emphasis on quality, safety and environmental concerns. The company continues to employ various ways and arrangements to manage its exposure to raw material price movements.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on ?

No dividend declared.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

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

No dividend has been declared or recommended for the reporting period ended 30 June 2008.

13 INTERESTED PERSON TRANSACTION

Note Rule 920(1)(a)(ii) - An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) |
|---------------------------|---|--|
| | nil | nil |

14 Negative confirmation on the Second Quarter Financial Statement

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the financial results for the 3 months ended 30 June 2008 to be false or misleading.

BY ORDER OF THE BOARD
Jaka Prasetya
Chief Executive Officer
11 August 2008

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