



(Registration no. 199508589E)

Financial Statements for the period ended 30 June 2007

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-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.

		Group		
		Half year ended 30 Jun		
		2007	2006	Increase /
	Notes	US\$'000	US\$'000	(decrease)
				%
Revenue		37,402	51,319	(27)
Cost of sales		(35,275)	(44,167)	(20)
Gross profit		2,127	7,152	(70)
Selling and distribution expenses		(208)	(2,549)	(92)
Administrative expenses		(5,971)	(3,254)	83
Other operating expenses		(558)	(2,546)	(78)
Gain arising from increase in fair value less estimated point-of-sale costs of forest asset		11,483	5,339	115
Other revenue		2,117	203	943
Depreciation and amortisation		(820)	(160)	413
Finance costs		(1,375)	(1,751)	(21)
Profit before taxation	1	6,795	2,434	179
Tax expenses	2	(3,450)	(1,602)	115
Profit after taxation		3,345	832	302
Attributable to:				
Equity holders of the Company		3,345	832	302
Minority interests		--	--	NM
		3,345	832	302

Remarks:

NM denotes "Not Meaningful"

Notes to Income Statement

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

	Group	
	Half year ended 30 Jun	
	2007	2006
	US\$'000	US\$'000
Allowance for doubtful debts (net of written back)	38	(1)
Dividend income	--	--
Foreign exchange gain – realised	(84)	(15)
Foreign exchange loss – unrealised	51	909
Gain on disposal of property, plant and equipment	(74)	(152)
Loss on disposal of other investments	--	6
Reversal of value of completed properties held for sale	--	(13)
Reversal of value of other investments	--	(7)
Interest income	(134)	(150)
Property, plant and equipment written off	7	--

2. Tax expenses can be analysed as follows:

	Group	
	Half year ended 30 Jun	
	2007	2006
	US\$'000	US\$'000
Current tax	5	--
Deferred tax	3,445	1,602
	<hr/> 3,450	
Underprovision in respect of prior years	--	--
	<hr/> 3,450	<hr/> 1,602

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 30.06.07	As at 31.12.06	As at 30.06.07	As at 31.12.06
	US\$'000	US\$'000	US\$'000	US\$'000
Non-Current Assets				
Forest asset	239,150	226,188	--	--
Property, plant and equipment	47,309	48,194	275	5,593
Amounts due from subsidiaries	--	--	27,593	16,258
Investments in subsidiaries	--	--	122,898	122,898
Investment property	404	404	--	--
Other investments	51	51	51	51
Club membership	102	102	--	--
Deferred tax assets	801	425	--	--
Goodwill on consolidation	19,163	19,163	--	--
	<u>306,980</u>	<u>294,527</u>	<u>150,817</u>	<u>144,800</u>
Current Assets				
Construction work-in-progress	1,083	438	--	--
Completed properties held for sale	1,162	1,138	--	--
Inventories	2,663	815	--	--
Trade and other receivables	60,435	67,042	38,273	39,779
Cash on hand and at banks	21,592	34,974	17,792	29,300
	<u>86,935</u>	<u>104,407</u>	<u>56,065</u>	<u>69,079</u>
Current Liabilities				
Construction progress billings in excess of costs	(6,108)	(5,965)	--	--
Trade and other payables	(53,879)	(62,886)	(9,928)	(11,066)
Hire purchase creditors	(28)	(98)	--	--
Provision for taxation	(481)	(856)	(36)	(33)
Amounts due to financial institutions	(17,452)	(32,270)	(14,998)	(17,111)
	<u>(77,948)</u>	<u>(102,075)</u>	<u>(24,962)</u>	<u>(28,210)</u>
Net Current Assets	8,987	2,332	31,103	40,869
Non-Current Liabilities				
Deferred tax liabilities	(63,256)	(59,449)	--	--
Non-current payables	(173)	--	(2,771)	(2,771)
Hire purchase creditors	(158)	(178)	--	--
Long term loans	(14,708)	(2,990)	--	--
	<u>(78,295)</u>	<u>(62,617)</u>	<u>(2,771)</u>	<u>(2,771)</u>
Net Assets	<u>237,672</u>	<u>234,242</u>	<u>179,149</u>	<u>182,898</u>
Represented by:				
Equity attributed to equity holders of the Company				
Share capital	209,560	209,560	209,560	209,560
Reserves	28,111	24,681	(30,411)	(26,662)
	<u>237,671</u>	<u>234,241</u>	<u>179,149</u>	<u>182,898</u>
Minority interests	1	1	--	--
Total Equity	<u>237,672</u>	<u>234,242</u>	<u>179,149</u>	<u>182,898</u>

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 Jun 2007		As at 31 Dec 2006	
Secured	Unsecured	Secured	Unsecured
US\$17,480,000	--	US\$31,852,000	US\$516,000

Amount repayable after one year

As at 30 Jun 2007		As at 31 Dec 2006	
Secured	Unsecured	Secured	Unsecured
US\$14,866,000	--	US\$3,168,000	--

Details of any collateral

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

- (a) Agriculture produce from the forest asset;
- (b) Assignment of key contracts and insurances in connection to the wood chip mill project;
- (c) Base camp located at the forest concession area in South Kalimantan, Indonesia with net book value of US\$2.6m;
- (d) Charge on fixed deposit of US\$1.2m;
- (e) Charge on all assets of the wood chip mill project of US\$39.0m;
- (f) Investment property located at Tanah Merah Kechil Road #13-05, Singapore 465558 with carrying value of US\$0.4m;
- (g) Plant and equipment with net book value of US\$0.3m;
- (h) Assignment of proceeds from certain construction projects;
- (i) Assignment of bank accounts which proceeds from wood chip sales are received;
- (j) Pledging of unquoted shares in subsidiaries;
- (k) Charge over shares in the Company held by Tektronix Industries Ltd ("Tektronix") and charge over a bank account maintained by Tektronix;
- (l) Assignment of rights under Operational Management Arrangement ("OMA"); and
- (m) Assignment of inter-company loans.

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	
	Half year ended 30 Jun	
	2007	2006
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before taxation	6,795	2,434
Adjustments for:		
Depreciation and amortisation	820	160
Gain arising from increase in fair value less estimated point-of-sale costs of forest asset	(11,483)	(5,339)
Interest expenses	900	1,751
Interest income	(134)	(150)
Reversal of impairment in value of other investments	--	(7)
Reversal of impairment in value of completed properties held for sale	--	(13)
Gain on disposal of property, plant & equipment	(74)	(152)
Property, plant and equipment written-off	7	--
Loss on disposal of other investments	--	6
Net exchange differences	26	(62)
Operating loss before working capital changes	(3,143)	(1,372)
(Increase)/decrease in:		
Completed properties held for sale	--	797
Construction work-in-progress, net of construction billings in excess of costs	(400)	4,890
Inventories	(1,848)	1,458
Trade and other receivables	6,607	(13,252)
(Decrease)/increase in trade and other payables	(8,838)	5,663
Cash flows used in operations	(7,622)	(1,816)
Tax paid	(377)	(1)
Interest paid	(900)	(1,751)
Net cash flows used in operating activities	(8,899)	(3,568)
Cash flows from investing activities		
Addition in cost of forest asset	(1,541)	(410)
Interest received	133	232
Proceeds from disposals of property, plant and equipment	5,539	253
Proceeds from disposal of other investments	--	127
Purchase of property, plant & equipment	(5,451)	(57)
Net cash flows (used in)/ from investing activities	(1,320)	145
Cash flows from financing activities		
Increase of pledge in fixed deposits	--	(125)
(Repayment of)/proceeds from bank borrowings, net	(3,100)	123
Repayment of hire purchase	(90)	(20)
Net cash flows used in financing activities	(3,190)	(22)
Effect of exchange rate changes on cash and cash equivalents	545	231
Net decrease in cash and cash equivalents	(12,864)	(3,214)
Cash and cash equivalents at 1 January	33,223	5,538
Cash and cash equivalents at 30 June	20,359	2,324
Breakdown of cash and cash equivalents at end of quarter is as follows:		
Cash on hand and at bank (excluding restricted cash)	20,359	2,915
Bank overdrafts, unsecured	--	(591)

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----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves	Accumulated (Losses)/ Profit	Total Reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
2006									
At 31 December 2005 as previously reported	114,945	31,727	161,557	3,694	5,826	(624)	170,453	1	317,126
Cumulative effects of adopting FRS 103	--	--	(161,557)	(6,813)	(68,305)	87,205	(149,470)	--	(149,470)
At 1 January 2006 as restated	114,945	31,727	--	(3,119)	(62,479)	86,581	20,983	1	167,656
Net effect of exchange differences	--	--	--	471	--	--	471	--	471
Net income recognised directly in equity	--	--	--	471	--	--	471	--	471
Profit for the period	--	--	--	--	--	832	832	--	832
Total recognised income and expenses for the period	--	--	--	471	--	832	1,303	--	1,303
Transfer from share premium to share capital	31,727	(31,727)	--	--	--	--	--	--	--
Liabilities to be settled in shares	--	--	--	--	5,634	--	5,634	--	5,634
Issuance of shares	21,910	--	--	--	--	--	--	--	21,910
Balance as at 30 Jun 2006	168,582	--	--	(2,648)	(56,845)	87,413	27,920	1	196,503

GROUP	<-----Attributable to shareholders----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves	Accumulated (Losses)/ Profit	Total Reserves		
	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 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 Jun 2007	209,560	--	--	(1,831)	(62,479)	92,421	28,111	1	237,672

COMPANY	<-----Attributable to shareholders----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves	Accumulated Losses	Total Reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
2006									
Balance as at 1 Jan 2006	114,945	31,727	--	99	5,826	(36,265)	(30,340)	--	116,332
Net effect of exchange differences	--	--	--	4,823	--	--	4,823	--	4,823
Net income recognised directly in equity	--	--	--	4,823	--	--	4,823	--	4,823
Loss for the period	--	--	--	--	--	(3,476)	(3,476)	--	(3,476)
Total recognised income and expenses for the period	--	--	--	4,823	--	(3,476)	1,347	--	1,347
Transfer from share premium to share capital	31,727	(31,727)	--	--	--	--	--	--	--
Liabilities to be settled in shares	--	--	--	--	27,544	--	27,544	--	27,544
Issuance of shares	21,910	--	--	--	(21,910)	--	(21,910)	--	--
Balance as at 30 Jun 2006	168,582	--	--	4,922	11,460	(39,741)	(23,359)	--	145,223

COMPANY	<-----Attributable to shareholders----->							Minority Interests	Total Equity
	Share Capital	Share Premium	Capital Reserve	Foreign Currency Translation	Other Reserves	Accumulated Losses	Total Reserves		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
2007									
Balance as at 1 Jan 2007	209,560	--	--	9,594	5,826	(42,082)	(26,662)	--	182,898
Net effect of exchange differences	--	--	--	20	--	--	20	--	20
Net income 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 Jun 2007	209,560	--	--	9,614	5,826	(45,851)	(30,411)	--	179,149

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.

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 an equivalent standard).

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.

The accounting policies and methods of computation are consistent with those applied in the audited financial statements for the year ended 31 December 2006.

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.

Not applicable.

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

		Group	
		Half year ended 30 Jun	
Earnings per ordinary share of the Group based on net profit attributable to the equity holders of the Company:		2007	2006
(i)	Based on the weighted average number of shares (in US\$ cents)	0.14	0.04
	- Weighted average number of shares	2,310,814,068	1,968,780,501
(ii)	On a fully diluted basis (in US\$ cents)	0.14	0.04
	- Adjusted weighted average number of shares	2,403,287,021	2,098,554,740

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 period reported on and (b) immediately preceding financial year

	Group		Company	
	Cents		Cents	
	30.06.07	31.12.06	30.06.07	31.12.06
Net asset value per share (in US\$)	10.29	10.14	7.75	7.91

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss 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. It must also discuss 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

The Group achieved a turnover of US\$37.4m in 1H2007. The Group's profit attributable to shareholders of the Company in 1H2007 was US\$3.3m compared to US\$0.8m in 1H2006.

Revenue

Revenue decreased by US\$13.9m from US\$51.3m in 1H2006 to US\$37.4m in 1H2007. The decrease was attributable to the followings:

- i. There was no pulp sales in 1H2007 compared to pulp revenue of US\$14.9m achieved in 1H2006 through the Operation Management Arrangement ("OMA") with PT Kiani Kertas ("PT KK").
- ii. 1H2007 revenue from construction projects was slightly lower by S\$0.3m at S\$56.7m (1H2006: S\$57.0m). The lower revenue was due to slower construction progress in 1H2007 compared to 1H2006 due to the tight supply of materials such as sand and concrete.
- iii. The Group achieved a milestone as it made its first woodchip sales of US\$0.2m in June 2007, two months after receiving its Certificate of Operational Test Acceptance ("COTA").

Gross profit

Gross profit decreased by US\$5.1m from US\$7.2m in 1H2006 to US\$2.1m in 1H2007. Compared to the same period last year, the decrease was mainly due to absence of gross profit contribution from pulp sales, offset by higher gross profit from construction division.

Selling and distribution expenses

Selling and distribution expenses decreased from US\$2.5m in 1H2006 to US\$0.2m in 1H2007, primarily due to pulp selling expenses of US\$2.3m which had been incurred in 1H2006.

Administrative expenses

Administrative expenses increased by US\$2.7m from US\$3.3m in 1H2006 to US\$6.0m in 1H2007. The increases were due to

- i. Higher administration expenses of US\$1.5m associated with the Wood Chip Mill (US\$0.5m of start-up expenses and recurring administration expenses and US\$1.0m due to reclassification from other operating expenses),
- ii. Higher payroll expenses at Construction and Property Division of US\$0.2m, and US\$0.5m re-classed from other operating expense,
- iii. US\$0.3m higher professional and service fees incurred in 1H2007 in relation to subsidiaries in Forestry Division, and,
- iv. US\$0.2m legal fees incurred in the legal proceedings by Poh Lian Development Pte Ltd ("PLD"), a wholly-owned subsidiary of the Company.

Other operating expenses

Other operating expenses decreased to US\$0.6m in 1H2007 from US\$2.5m in 1H2006. The US\$1.9m reduction was due to the absence of foreign exchange unrealised loss (US\$0.9m), reclassification to administrative expenses (US\$1.3m) and net of gain of US\$0.1m in disposal of plant, property and equipment.

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

Gain arising from increase in fair value less estimated point-of-sale costs of forest asset increased by US\$6.2m from US\$5.3m in 1H2006 to US\$11.5m in 1H2007. This was due to higher yield arising from progressive maturity of the forest asset, coupled with upward trend in plantation wood price, offset by reduced level of standing stock of trees as harvesting activities were carried out in 1H2007.

Other revenue

Other revenue increased by US\$1.9m from US\$0.2m in 1H2006 to US\$2.1m in 1H2007. This is mainly due to reversal of the penalty interest. The Group has obtained confirmation from Bank Mandiri that its obligations under the reforestation loans had been discharged. Accordingly, the penalty interest is no longer required and reversed to other revenue. There remains a debt of IDR 100,931,585,000 (or US\$11.1m) payable.

Depreciation and amortisation

Depreciation and amortisation charge increased by US\$0.6m from US\$0.2m in 1H2006 to US\$0.8m in 1H2007. This was mainly due to the initiation of depreciation charge relating to the woodchip mill which was commissioned in 1H2007.

Finance costs

Finance costs decreased by US\$0.4m from US\$1.8m in 1H2006 to US\$1.4m in 1H2007, mainly due to the repayment of Series 3 Loan Note from Cornell and offset by increase in interest expenses on drawdown of Natixis loan.

b. Significant balance sheet movements

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

Forest asset

The forest asset recorded a net increase of US\$13.0m in the fair value less estimated point-of-sales costs of the forest asset since 31 December 2006. This was mainly due to the increase in the fair value less estimated point-of-sale costs of the forest asset and cost incurred and capitalised for forest asset.

Property, plant and equipment

Property, plant and equipment reduced by US\$0.9m from US\$48.2m as at 31 December 2006 to US\$47.3m as at 30 June 2007, mainly due to recognition of progress work done in relation to the construction of wood chip mill under the turnkey contract, offset by the disposal of a building by United Fiber System Ltd.

Inventories

Inventories increased by US\$1.9m from US\$0.8m as at 31 December 2006 to US\$2.7m as at 30 June 2007 primarily due to unprocessed logs and woodchips produced by the Wood Chip Mill (PT MAL) in 1H2007.

Trade and other receivables

Trade and other receivables decreased by US\$6.6m from US\$67.0m as at 31 December 2006 to US\$60.4m as at 30 June 2007 primarily as a result of the following:

- i. transfer of US\$5.0m from other receivables to plant, property and equipment on completion of the construction of woodchip mill project;
- ii. reduction in trade and other receivables by US\$0.5m in the construction division;
- iii. receipts of US\$2.0m from trade receivables on pulp sales; and partially offset by;
- iv. increase of US\$0.8m in other receivables in PT Hutan Rindang Banua (HRB) due to increase planting and harvesting activities.

Cash on hand and at banks

Cash on hand and at banks reduced by 38% from US\$35.0m as at 31 December 2006 to US\$21.6m as at 30 June 2007, with the following contributing factors:

- i. repayment of loans due to financial institutions;
- ii. payment for pre-construction work relating to the wood chip mill;
- iii. cash used for the Group's operations; offset by;
- iv. collections of trade receivables from Construction and Property Development Division and pulp sales; and;
- v. proceeds received on disposal of Poh Lian Building.

Construction work-in-progress/Construction progress billings in excess of costs

Construction work-in-progress increased by US\$0.7m from US\$0.4m as at 31 December 2006 to US\$1.1m as at 30 June 2007. This is due to cost incurred on two projects which revenue was not yet recognised.

Trade and other payables

Trade and other payables were reduced by US\$9.0m from US\$62.9m as at 31 December 2006 to US\$53.9m as at 30 June 2007, with the main contributors being:

- i. transfer of US\$16.1m accruals (US\$17.5m less US\$1.4m unamortised transaction cost) to long-term loan on completion of the woodchip mill construction project and disbursement of the loan;
- ii. reduction in trade and other payables balances in construction division by US\$4.7m;
- iii. increase in other payables of US\$ 11.1m due to reassignment of a debt.

Amounts due to financial institutions and long term loans

The reduction in amounts due to financial institutions and long term loans by US\$3.1m from US\$35.3m as at 31 December 2006 to US\$32.2m as at 30 June 2007 was due mainly to the following:

- i. US\$11.8m increase in bank loan arising from drawdown of bank loan on the completion of woodchip mill construction project; and partially offset by;
- ii. repayment of loans amounted to US\$2.1m, including repayment of US\$1.0m bank loan from United Overseas Bank Ltd and US\$1.1m trust receipts; and;
- iii. US\$12.8m of reforestation loan and penalty interest has been discharged.

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) Update on the Proposed Acquisition of PT Kiani Kertas

We refer to our announcement on 28 December 2006 providing an update on the proposed acquisition of PT Kiani Kertas ("PT KK").

Unifiber continues to view PT KK as a strategic investment which will fit in and add value to our business platform. PT KK owns a world scale modern pulp mill in Mangkajang, East Kalimantan, Indonesian and has an annual design capacity of 525,000 tonnes of high quality bleached hardwood kraft pulp.

The proposed acquisition of PT KK will provide us with an operationally ready pulp mill, and complements our existing forestry and wood chip operations. Together with our own greenfield pulp mill to be operated by PT Marga Buana Bumi Mulia ("PT MBBM"), Unifiber is set to become a major player in the international market pulp industry.

Through an Operation Management Arrangement ("OMA") which the Unifiber Group has entered into with PT KK, we gained valuable hands-on insight and understanding of the PT KK mill assets and operations. This is an important part of our due diligence process for the proposed acquisition. Pursuant to the OMA, we had provided PT KK with technical and financial support to produce pulp, which the Unifiber group was entitled to sell.

The proposed acquisition of PT KK is not yet completed but we are confident that the prospect remains good. This is because we understand that although the vendors might be exploring other alternatives to an outright sale of PT KK, they have not provided us with any formal communication of their unwillingness to proceed with the transaction. This is coupled with the fact that PT KK has not given formal notice to terminate the OMA, which has to be terminated in the event either party decides not to proceed with the proposed acquisition. From the dialogues that the vendors continue to have with us, we conclude that they still consider the proposed acquisition as one of their best alternatives.

There was no injection of funds into PT KK in the 1H2007, and there are no immediate plans for additional injection of working capital into PT KK to produce pulp. However, production and sale of pulp pursuant to the OMA may resume, if it is envisaged that it will be beneficial for both parties to do so.

To date, the total amount of working capital injected by Unifiber Group into PT KK is US\$66m of which US\$28.2m is currently outstanding. Pursuant to the terms of the OMA, and the Share Purchase Agreement ("SPA") with the vendors of PT KK, all amounts injected by Unifiber into PT KK are recoverable from PT KK and if the SPA is terminated for any reason, the vendors under the SPA are required to procure PT KK to refund the amounts injected into PT KK net of recoveries, and failure by PT KK attaches a liability on the vendors to make the refund. As with any commercial arrangement of this type, a collection risk does exist in connection with these amounts. However, Unifiber believes that such risk has been sufficiently mitigated in the OMA and the SPA.

Unifiber Group incurred certain expenses amounted to US\$7.3m as at 30 June 2007 (31 December 2006 : US\$7.2m) which mainly relate to professional fees for due diligence studies, legal fees and retainer fees paid in relation to the proposed acquisition of PT KK and to secure financing for the proposed acquisition. The Group has deferred these expenses and classified as prepayments. In

the event that the proposed acquisition of PT KK is unsuccessful, these expenses will be written off to the Profit and Loss Account.

We shall make further announcements on the proposed acquisition when appropriate.

(b) Wood Chip Mill (PT MAL)

We obtained the COTA on 4th April 2007 and commenced operations thereof. We had our first commercial shipment in June 2007.

The operation of the mill is exposed to the following competitive conditions:

- a. High oil prices,
- b. Increase raw material prices due to higher demand for wood-related products, and
- c. Adverse weather conditions where shipping activities can be hampered.

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

The final approval from the State Council and relevant authorities is pending. As the pulp mill is not expected to commence operation until 2009, PT MBBM will not contribute to the Group's revenue in the current financial year.

Construction and Property Division

The sand ban imposed by the Indonesia authorities had dampened the projected expected completion dates of some projects. The Division will work harder to catch up with the project delivery date.

The Division will continue to focus our strength to secure projects that will place emphasis on quality, safety and environmental concerns.

The Division's order book as at 30 June 2007 stood at approximately US\$173m.

Others – United Fiber System Limited

(d) Issuance of Convertible Bonds

On 13 July 2007, United Fiber System Limited (the "Company" or "Unifiber") announced that it has today entered into a binding subscription agreement with Abax Global Capital ("Abax"), under which the Company has agreed to issue US\$25 million in aggregate principal amount of zero coupon convertible bonds due 12 July 2012 (the "Bonds"). The Bonds will be issued at an issue price of 100% of the principal amount.

The Bonds are convertible into fully paid ordinary shares of the Company. The conversion price will be S\$0.355 per conversion share. Approximately 107 million conversion shares are expected to be issued. This is approximately 4.4% of the Company's share capital on an enlarged basis.

It is intended that the proceeds of the issue of the Bonds be used for the purposes of refinancing the Company's existing borrowings and expansion of business operations.

The Company has at the same time announced that it has entered into a memorandum of understanding ("MOU") with Abax for the financing of an equity investment by the Company in the amount of US\$200 million in relation to its subsidiary, PT Marga Buana Bumi Mulia ("PT MBBM"). The financing will comprise of issuances of both notes and warrants. The parties are working towards executing a definitive legal agreement for the said financing. The MOU is subject to an exclusivity period of 45 days after the signing thereof, together with any extensions as may be agreed between the Company and Investor. Solidifying the commitment, the Company and Abax will each be subject to a cash break-up fee equal to US\$10 million under certain conditions agreed in the MOU. The Company will make a further announcement on the earlier of the entering into of a definitive legal agreement or the lapsing of the exclusivity period.

11. Dividend

(a) Current Financial Period Reported On

Not applicable.

(b) 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/recommendeded, a statement to that effect

No dividend has been proposed or declared.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2 & Q3 or Half Year Results)

- 13. Segmental revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year**

Not applicable.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable.

- 15. A breakdown of sales**

Not applicable.

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable.

- 17. Negative confirmation on First Half Financial Statements**

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 six-month financial period ended on 30 June 2007 to be false or misleading.

BY ORDER OF THE BOARD

Jaka Prasetya
Chief Executive Officer
7 August 2007