

**United Fiber System Limited**  
(Incorporated in the Republic of Singapore)  
Company Registration No.: 199508589E

**ANNOUNCEMENT**

- (I) **THE PROPOSED ISSUE OF SENIOR SECURED NOTES WITH AN AGGREGATE PRINCIPAL AMOUNT OF US\$200 MILLION, AT AN ISSUE PRICE OF 100 PER CENT. OF THE PRINCIPAL AMOUNT OF SUCH NOTES, TO ABAX LOTUS LTD. OR SUCH OTHER AFFILIATE OR SUBSIDIARY SELECTED BY ABAX GLOBAL CAPITAL OR ANY THIRD PARTY PARTICIPANT; AND**
  
- (II) **THE PROPOSED ISSUE TO THE INVESTOR OF UP TO 970 MILLION FULLY DETACHABLE WARRANTS, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) SHARE IN THE COMPANY AT AN EXERCISE PRICE OF S\$0.38 PER SHARE.**

On 13<sup>th</sup> July 2007, United Fiber System Limited ("**Unifiber**" or the "**Company**") announced that it has entered into a memorandum of understanding ("**MOU**") with Abax Lotus Ltd. (the "**Investor**") 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.

Under the proposed notes issue (the "**Notes Issue**"), the Company shall issue notes with an aggregate principal amount of US\$200 million, at an issue price of 100 per cent. of the principal amount of such notes to the Investor (the "**Notes**").

In connection with the proposed Notes Issue, the Company shall issue 970 million warrants (the "**Warrants Issue**"). 970 million new shares will be issued upon exercise and conversion of all the warrants.

The parties are in the process of preparing the definitive legal agreements (the "**Definitive Agreements**") for the said financing. Both parties have agreed to maintain the exclusivity period to allow for the preparation of the Definitive Agreements, the fulfillment of conditions required for the execution of the Definitive Agreements and the seeking of necessary approvals.

The proposed principal terms and conditions of the Notes are summarised below:

Issue Size	:	US\$200 million in aggregate principal amount of senior secured notes issued at par.
Use of Proceeds	:	Financing for the construction of a Greenfield pulpmill in South Kalimantan, Indonesia.
Maturity Date	:	5.5 years from respective issue dates.
Coupon	:	2% per annum payable by the Company semi-annually in arrears in cash.
Accretion	:	11% total yield per annum will be accreted on the Notes in addition to the Coupon.

Status of the Notes	:	The Notes constitute direct, unconditional and secured obligations of the Company, ranking <i>pari passu</i> with all existing senior obligations (other than certain indebtedness of the Company).
MBBM Offtake Agreement	:	The Company will enter into a long-term offtake agreement with certain offtakers which guarantees the purchase of up to 90% of the pulp produced by PT MBBM at market prices.
Governing Law	:	English Law.

The proposed principal terms of the Warrants are as follows:

Number of Warrants	:	970 million.
Basis of Issue	:	The Warrants are being issued to the Investor, in connection with the Notes Issue, as fully detachable five-year warrants to purchase shares in the Company in the proportion of one (1) Warrant for one (1) share of the Company.
Exercise Price	:	The Warrants shall be convertible into new shares at S\$0.38 per share, subject to any Exercise Price Adjustment.
Exercise Period	:	5 years from date of issue.
Exercise Price Adjustment	:	After six months from the respective Warrants Issue Dates, and on every six monthly periods thereafter, in the event that the Volume Weighted Average Price ("VWAP") of the preceding fifteen trading days for the Company's shares is below S\$0.30 per share, then the Exercise Price shall be adjusted to that VWAP for all respective Warrants not exercised as of such date. This adjustment is subject to a maximum adjustment to S\$0.20 per share. For the avoidance of doubt, the Exercise Price Adjustment applies only to downward adjustments of the Exercise Price. In no event shall the Exercise Price be greater than S\$0.38 per share.

The Company will make further announcements upon the entry into the Definitive Agreements.

By Order of the Board  
Jaka Prasetya  
Chief Executive Officer  
28 August 2007