



Co Reg No. 199508589E

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## **CLARIFICATION ON HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2008**

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On 11 August 2008, United Fiber System Ltd (“the Company”) announced its Half Year Results for the period ended 30 June 2008. In its letter on 20 August 2008 to the Company, the Singapore Stock Exchange sought clarifications on the following matters:

*(a) The gross profit margin for the 6 months ended 30 June 2008 stood at 3.2%, as compared to the gross profit margin of 5.7% for the previous corresponding period. The Company was asked to elaborate on the factors contributing to the decrease in gross profit margin.*

The decrease in gross profit margin was mainly attributable to higher cost of sales incurred by the Forestry and Pulp Division. Higher cost of sales in the Forestry and Pulp Division arose mainly from the ramping up of harvesting activities in the forestry operations, with resultant higher harvesting mobilization costs. The overall costs also increased due to higher fuel prices in tandem with global increase in oil prices.

*(b) Page 2 of the announcement stated that the Company recorded a “Foreign exchange gain – unrealized” of US\$0.4m for the 3 months ended 30 June 2008. The Company disclosed that the foreign exchange gain arose from the “revaluation of the convertible bonds.” In respect of the above, please provide additional information:-*

*(i) Circumstances giving rise to the foreign exchange gain from the revaluation of the convertible bonds; and (ii) Elaborate on the assumptions used to arrive at the foreign exchange gain.*

The Company issued US\$25 million zero-coupon convertible bonds due 2012 in August 2007. While the convertible bonds are payable in US dollars, the Company’s functional currency is Singapore dollar. The strengthening of the Singapore dollar against US dollar during the second quarter 2008 had resulted in an unrealized foreign exchange gain of US\$0.4 million.

*(c) On Page 10 of the announcement, the Company recorded a “compensation of US\$0.3m received from land claim”. To provide further information on the circumstances giving rise to the compensation, including details of the land claim.*

The compensation of US\$0.3 million relates to a settlement arising from actions taken against a third party for encroaching our land in Kalimantan. The action is part of the Group’s ongoing efforts to protect our concession areas.

### **By Order of the Board**

Jaka Prasetya  
Chief Executive Officer  
21 August 2008