



Co Reg No. 199508589E

UPDATE ON PULP MILL PROJECT

INTRODUCTION

United Fiber System Limited ("Unifiber") wishes to announce that today its wholly owned subsidiary PT Marga Buana Bumi Mulia ("PT MBBM") and China MCC20 Construction Co Ltd ("MCC20") have executed the Extension Agreement ("Extension Agreement") with regards to the EPC Contract and Supplier's Credit Agreement previously entered into between PT MBBM and MCC20 on 10 April 2008.

Under the EPC Contract, MCC20 is responsible for the delivery of a bleached hardwood kraft pulp mill in South Kalimantan with a capacity of 600,000 air-dry tonnes per annum for a consideration of US\$893 million. MCC20 shall also provide a supplier's credit for the financing of the 75 per cent of the total development costs (the "Supplier's Credit") and PT MBBM shall be responsible for the remaining 25 per cent (the "Equity Portion"). The agreement will take effect within 90 days of the date of the contract, upon fulfillment of certain conditions by the parties, including the finalization of all related project documentations and the financial closing of the project.

COMPLEX NEGOTIATIONS AND EXTENSION

The EPC Contract contemplates a concurrent financial closing of both the Supplier's Credit and the Equity Portion. Due to the complexity of the project documentations, there was a delay in achieving the financial closing. The negotiations had continued and MCC20 was kept informed of the progress of the negotiations.

The Parties have agreed to an extension for the transaction to be completed. The Extension Agreement was signed today and pursuant to this Extension Agreement, PT MBBM and MCC20 have agreed to extend the EPC Contract and the Supplier's Credit Agreement to allow both parties to continue the work for a further period of three months from the signing of the Extension Agreement for the transaction to be completed.

PROGRESS OF NEGOTIATIONS

With regards to the Equity Portion, Unifiber looks forward to concluding the preferred financing structure and completing the due diligence and documentations with the selected investors within the extended period, barring unforeseen circumstances. The Board will make further announcements upon the finalization of the financing package.

None of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the above-mentioned transaction.

By Order of the Board

Jaka Prasetya
Chief Executive Officer
13 August 2008