



NEWS RELEASE

1. **PROPOSED ISSUE OF US\$25 MILLION ZERO COUPON CONVERTIBLE BONDS DUE 2012**
2. **ENTRY INTO MEMORANDUM OF UNDERSTANDING FOR US\$200 MILLION SENIOR SECURED NOTES**

SINGAPORE, 13 JULY 2007 - SGX Mainboard-listed 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 ("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.

Jaka Prasetya, Chief Executive Officer of Unifiber, commented "We are pleased to share the same belief on the future of Unifiber with a prominent investor such as Abax. This transaction not only fosters our mutual commitment to a long-standing partnership but also marks a critical milestone for Unifiber, as it is a major step in securing the necessary funding for the MBBM pulpmill project."

Danny Yong, Chief Investment Officer of Abax, commented "Abax is pleased to enter into this strategic investment transaction with Unifiber. We look forward to continued value creation under Mr Prasetya's leadership."

The advisor for the Company in the foregoing deals is Lazard Asia Limited.

None of the Directors or substantial shareholders of the Company have any interest, direct or indirect, in the proposed issue of the Bonds, conversion shares or Abax.

About Unifiber

Unifiber, listed on the Singapore Exchange, operates two business divisions, namely a forestry, pulp and wood chip production in South Kalimantan, Indonesia, and a construction and property development business in Singapore. Through its wholly owned subsidiaries, it holds a forest concession right of 268,585 hectares, a license to build and operate a 600,000 ADT bleached hardwood kraft pulp mill and operates a 700,000 BDT wood chip mill. Its forest concession was valued at US\$226 million as of 31 December 2006 and its construction division recorded an order book of S\$277 million as of the latest date.

About Abax

Abax is a leading Hong-Kong-based investment fund focused on Pan-Asian private and public investments with an emphasis on Greater China and South East Asia. Founded in 2007, Abax is one of the largest Asian-dedicated funds and is regarded as a pioneer in the marketplace. Abax's objective is to invest in and create value for small-to-mid-sized Asian enterprises, thereby generating returns for all stakeholders. Morgan Stanley Investment Management is a minority shareholder of Abax, an independently managed investment company.

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