

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Sateri Holdings Limited

賽得利控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1768)

PROFIT WARNING

The Board of Directors (the “**Board**”) of Sateri Holdings Limited (the “**Company**” and together with its subsidiaries, collectively referred to as the “**Group**”) wishes to advise shareholders and potential investors of the Company that a weak product pricing environment in the first half of 2012, combined with the non-cash impact of fair value adjustments made as at 30 June 2012 in accordance with International Financial Reporting Standards (“**IFRS**”) relating to the Group’s forestation and reforestation assets in Brazil and foreign exchange hedges, are expected to lead to a significant drop in net profit for the six months ended 30 June 2012, compared to the corresponding period in 2011.

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Weak product pricing environment

Trading conditions for the Group’s products in the first half of 2012 remained challenging. Sales of specialty-grade pulp in the first half of 2012 were slightly higher than the corresponding period in 2011, with achieved selling prices broadly similar to those achieved in the first half of 2011. However, although the Group’s sales volume of rayon-grade pulp and viscose staple fiber increased significantly in the first half of 2012, compared to the corresponding period in 2011, achieved average selling prices were significantly lower than those achieved in the first half of 2011. As a result, the Group recorded a significant drop in gross margin for the six months ended 30 June 2012, compared to the corresponding period in 2011.

Fair value adjustments in accordance with IFRS

Revaluation of the Group’s forestation and reforestation assets in Brazil is conducted semi-annually at each reporting date. As at 31 December 2011, the exchange rate between the Brazilian Reais and the US Dollar was US\$1:BRL1.88, and as at 30 June 2012, the exchange rate was US\$1:BRL2.02, according to information published by the Central Bank of Brazil. Accordingly, revaluation of the Group’s forestation and reforestation assets in Brazil as at 30 June 2012 will result in an adverse non-cash movement in its interim financial results for the six months ended 30 June 2012, compared to a gain in the corresponding period in 2011.

The Group mitigates the currency fluctuations affecting its operations mainly through a hedging programme using plain vanilla forward contracts. As at 30 June 2012, the Group had foreign exchange hedges between the Brazilian Reais and the US Dollar relating to forecast operating and capital expenditure in the second half of 2012 amounting to approximately US\$140 million in notional value. As at 30 June 2012, the Group had no foreign exchange hedges relating to forecast operating and capital expenditure beyond the end of 2012. Accordingly, the Group will record non-cash marked-to-market exchange rate losses in respect of currency hedging positions relating to the second half of 2012 in its interim financial results for the six months ended 30 June 2012, compared to a gain in the corresponding period in 2011.

The Board wishes to advise shareholders and potential investors of the Company that a weak product pricing environment in the first half of 2012, combined with the non-cash impact of fair value adjustments made as at 30 June 2012 in accordance with IFRS relating to the Group's forestation and reforestation assets in Brazil and foreign exchange hedges, are expected to lead to a significant drop in net profit for the six months ended 30 June 2012, compared to the corresponding period in 2011.

The information contained in this announcement is only based on a preliminary assessment made by the Board based on information currently available to it, including the unaudited consolidated management accounts of the Group for the six months ended 30 June 2012, and not on any data or information audited or reviewed by the Company's auditors.

Shareholders and potential investors of the Company are urged to exercise caution when dealing in the securities of the Company.

By Order of the Board
Sateri Holdings Limited
Will Hoon Wee Teng
Chief Executive Officer

Hong Kong, 24 July 2012

As at the date of this announcement, the Board comprises Mr. Will Hoon Wee Teng (Chief Executive Officer) and Mr. Tey Wei Lin as Executive Directors; Mr. John Seto Gin Chung as Non-executive Director; and Mr. John Jeffrey Ying (Chairman), Mr. Jeffrey Lam Kin Fung, Mr. David Yu Hon To and Mr. Lim Ah Doo as Independent Non-executive Directors.