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**Sateri Holdings Limited**  
**賽得利控股有限公司**

*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 1768)**

**(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION  
IN RELATION TO  
THE DISPOSAL OF THE VISCOSE STAPLE FIBER BUSINESS IN THE PRC**

**(2) CONTINUING CONNECTED TRANSACTION IN RELATION TO  
THE PULP SUPPLY AGREEMENT**

**(3) CONNECTED TRANSACTIONS IN RELATION TO  
THE PROVISION OF GUARANTEES, INTEREST RATE SWAP ARRANGEMENTS  
AND TERMINATION OF THE CALL OPTION AND ROFR AGREEMENT**

**DISPOSAL OF THE VISCOSE STAPLE FIBER BUSINESS IN THE PRC**

The Board announces that on 29 October 2014, Sateri International (a subsidiary of the Company) entered into the Sale and Purchase Agreement to sell the Group's entire equity and loan interests in the Group's viscose staple fiber business in the PRC to Pacific Viscose Limited (a company controlled by the Company's ultimate controlling shareholder).

The Consideration payable by the Purchaser will comprise (a) the consideration for the Sale Shares which will be an amount equal to the audited combined NAV of the Sale Group as at 31 October 2014 and (b) the consideration for the Sale Loans, being the amount of the Sale Loans as at 31 October 2014, provided that the Consideration will be an amount which is not less than US\$560 million and not more than US\$620 million. For illustration purposes and for reference only, the Consideration is expected to be approximately US\$589.5 million (approximately HK\$4,568.6 million). This Consideration amount, together with the net debt of the Sale Group as at 30 September 2014 of US\$273.6 million (approximately HK\$2,120.4 million), would give an enterprise value of the Sale Group of US\$863.1 million (approximately HK\$6,689.0 million).

Completion of the Transaction is conditional upon, among other things, the Transaction (including the transactions contemplated under the Transaction Documents) having been approved by the Independent Shareholders in a general meeting in accordance with the Listing Rules.

Subject to the fulfilment or waiver of the conditions to Completion, Completion is expected to take place before 31 December 2014.

In connection with the Transaction, Sateri International and the Purchaser have agreed, among other things, the following:

- (a) certain intellectual property rights relating to the “Sateri” name and trademark and used in the branding of the products of the Sale Group will be assigned to the Purchaser on Completion;
- (b) the name of each member of the Remaining Group that includes the word “Sateri” (in English or Chinese) will be changed to exclude the word “Sateri” within six months after Completion, unless the parties agree otherwise;
- (c) the existing Agency Agreement, the Sales Framework Agreement and the Call Option and ROFR Agreement entered into by the Group with the Purchaser Group will be terminated on Completion;
- (d) certain amendments will be made to the existing Deed of Non-Competition entered into between the Company and the Controlling Shareholders on Completion;
- (e) the Purchaser will, on Completion, pay to SC International Macao (a subsidiary of the Company) the amount of US\$30 million (approximately HK\$232.5 million), being amounts owing by Sateri Jiangxi and Sateri Fujian for the purchase of dissolving wood pulp from the Remaining Group pursuant to certain invoices already issued and agreed between the parties;
- (f) Sateri International will continue to provide guarantees in respect of certain bank facilities granted to Sateri Jiangxi and Sateri Fujian until such guarantees have been replaced with guarantees by the Purchaser Group no later than six months after the Completion. Until the release of the guarantees, the Purchaser will indemnify Sateri International against any loss arising after Completion under or by reason of such guarantees; and

(g) Sateri International will transfer to the Purchaser on Completion certain interest rate swaps entered into with certain banks in respect of certain bank borrowings granted to Sateri Fujian for hedging Sateri Fujian's US dollar floating interest rate exposure. Such transfer may initially be effected by way of back-to-back interest rate swap transactions on Completion with the novation of the swaps to be effected as soon as reasonably practicable following Completion (or in such other manner as the parties may agree).

In addition, as at the date of the Sale and Purchase Agreement, the Group is considering the potential acquisition of the business and assets of a Third Party which owns a viscose staple fiber business in the PRC. As the Group will cease to own the VSF Business on Completion, Sateri International and the Purchaser have agreed on 29 October 2014 that the Group will not proceed with such potential acquisition and the Purchaser Group may pursue such potential acquisition subject to certain terms and conditions as further described in this announcement.

#### **USE OF PROCEEDS FROM THE TRANSACTION**

On Completion, the Company will receive total gross cash proceeds comprising the Consideration and the amount of the Trading Debt, which is currently estimated to be approximately US\$619.5 million (approximately HK\$4,801.1 million). This is equivalent to approximately HK\$1.40 per Share, which represents approximately 92.7% of the closing price of the Shares of HK\$1.51 on 15 September 2014, being the last trading day immediately preceding the Company's announcement on 16 September 2014 that it had received an expression of interest from the Purchaser to acquire the VSF Business.

The Company has not made a final decision on the use of proceeds from the Transaction. Its intention is that, subject to the outcome of a detailed review of the Remaining Group's capital needs, a substantial portion of the net proceeds of the Transaction will be applied towards making distributions to the Shareholders by way of a special dividend. The Company will make a further announcement on the intended use of proceeds upon a final decision thereon being made.

#### **PULP SUPPLY AGREEMENT**

On Completion, SC International Macao and DP Macao will enter into the Pulp Supply Agreement pursuant to which SC International Macao will supply commercial rayon grade dissolving wood pulp (for use in the production of viscose staple fiber) produced by BSC in Brazil to DP Macao. During the term of the Pulp Supply Agreement, DP Macao will purchase from SC International Macao all of the Product produced by BSC.

In respect of each calendar month, the net invoice price of the Product for such month will be the global open market spot price at the time of purchase that would be payable in a transaction between independent third parties for a comparable quantity and quality of rayon grade dissolving wood pulp products.

The Pulp Supply Agreement will be effective from 1 January 2015 for a term of three years. The Pulp Supply Agreement may be terminated in certain circumstances as further described in this announcement.

The annual caps for the transactions under the Pulp Supply Agreement for the three years ending 31 December 2015, 2016 and 2017 are US\$396,000,000, US\$396,750,000 and US\$396,000,000, respectively, which have been determined on the basis as further described in this announcement.

### **LISTING RULES IMPLICATIONS**

The Transaction constitutes a major transaction and a connected transaction of the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Pulp Supply Agreement (including the annual caps) constitutes a continuing connected transaction of the Company and is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The provision of the guarantees in respect of certain bank facilities granted to Sateri Jiangxi and Sateri Fujian until such guarantees have been replaced with guarantees by the Purchaser Group constitutes a connected transaction of the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The swap arrangements between Sateri International and the Purchaser constitute a connected transaction of the Company and is subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The termination of the Call Option and ROFR Agreement constitutes a connected transaction of the Company and is subject to the announcement and reporting requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

A SGM will be convened to consider and, if thought fit, to approve the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition).

The Independent Board Committee, comprising all the independent non-executive Directors, has been appointed and will consider and advise the Independent Shareholders on the terms of the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition).

Rothschild has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition).

Credit Suisse (Hong Kong) Limited has been appointed as the financial adviser to advise the Company on the Transaction.

The Circular containing, among other things, (i) details of the Transaction and the transactions contemplated under the Transaction Documents, including the annual caps for the Pulp Supply Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from Rothschild to the Independent Board Committee and the Independent Shareholders and (iv) the notice of the SGM, is expected to be despatched to the Shareholders on or before 19 November 2014.

## **WARNING**

**Shareholders and potential investors in the Company should note that the Transaction is subject to the fulfilment of certain conditions, including the approval of the Independent Shareholders, and may be terminated in certain circumstances. Accordingly, there is no assurance that the Transaction will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.**

## 1. INTRODUCTION

The Company refers to the announcement made by the Company on 16 September 2014 and 14 October 2014 relating to the potential disposal by the Group of the Group's viscose staple fiber business in the PRC. This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance.

## 2. DISPOSAL OF THE VSF BUSINESS

The Board announces that on 29 October 2014, Sateri International (a subsidiary of the Company) entered into the Sale and Purchase Agreement to sell the Group's entire equity and loan interests in the VSF Business to Pacific Viscose Limited (a company controlled by the Ultimate Controlling Shareholder). The principal terms of the Sale and Purchase Agreement are set out below.

### (a) Date

29 October 2014

### (b) Parties

- (i) Sateri International, as seller; and
- (ii) Pacific Viscose Limited, as purchaser.

### (c) Transaction

Sateri International has agreed to sell, and the Purchaser has agreed to purchase, on Completion the Sale Shares and the Sale Loans on the terms and conditions of the Sale and Purchase Agreement.

### (d) Consideration

The consideration for the Sale Shares will be an amount equal to the audited combined NAV of the Sale Group as at 31 October 2014 (the "**Share Consideration**"). The consideration for the Sale Loans will be the amount of the Sale Loans as at 31 October 2014 (the "**Loan Consideration**"). Subject as provided below, the aggregate of the Share Consideration and the Loan Consideration will be the consideration for the Transaction (the "**Consideration**").

For illustration purposes and for reference only, the Consideration is expected to be approximately US\$589.5 million (approximately HK\$4,568.6 million), which has been determined by reference to the unaudited combined NAV of the Sale Group as at 30 September 2014 and the expected amount of the Sale Loans as at 31 October 2014. This Consideration amount, together with the net debt of the Sale Group as at 30 September 2014 of US\$273.6 million (approximately HK\$2,120.4 million), would give an enterprise value of the Sale Group of US\$863.1 million (approximately HK\$6,689.0 million).

Within 10 business days following 31 October 2014, Sateri International will prepare and deliver to the Purchaser and the Auditors the unaudited combined financial information of the Sale Group for the period from 1 January 2014 to 31 October 2014 and as at 31 October 2014 (the “**Combined Financial Information**”) and a statement showing the calculation of the unaudited combined NAV of the Sale Group as at 31 October 2014 and the amount of the Sale Loans as at 31 October 2014 (the “**Final Statement**”).

Sateri International will procure the Auditors to conduct an audit of the Combined Financial Information and provide its determination of what adjustments (if any) are required to be made on the Combined Financial Information and the Final Statement within 20 business days following the receipt of such documents.

The combined NAV of the Sale Group as at 31 October 2014 as set out in the Final Statement (as adjusted) referred to above will be the audited combined NAV of the Sale Group as at 31 October 2014 and, subject as provided below, will be the amount of the Share Consideration.

The aggregate of the Share Consideration (as determined in the manner set out above) and the Loan Consideration will be the amount of the Consideration, provided that (i) if such aggregate amount is less than US\$560 million, the Consideration will be US\$560 million and (ii) if such aggregate amount is more than US\$620 million, the Consideration will be US\$620 million. In the event of such adjustment to the Consideration, the corresponding adjustment will be made to the amount of the Share Consideration only.

The Consideration will be payable in cash by the Purchaser to Sateri International on Completion.

The Company will make an announcement when the Consideration has been determined.

**(e) Conditions**

Completion of the Transaction is conditional upon the following conditions (the “**Conditions**”) being fulfilled or waived:

- (i) the Transaction (including the transactions contemplated under the Transaction Documents) having been approved by the Independent Shareholders in a general meeting in accordance with the Listing Rules;
- (ii) all authorisations, consents and approvals of any governmental entity in relation to the Transaction having been obtained and remaining in full force and effect;
- (iii) all third party consents in relation to the Transaction required pursuant to any agreement to which any member of the Remaining Group or the Sale Group is a party having been obtained or waived by the relevant party; and
- (iv) the completion of the audit of the Combined Financial Information.

The Condition in sub-paragraph (i) above may not be waived by the parties. The other Conditions may be waived by the parties, subject to such conditions (if any) which the parties may agree.

Sateri International will use all reasonable efforts to ensure that the Conditions are fulfilled promptly after the date of the Sale and Purchase Agreement.

**(f) Completion**

Completion will take place on the third business day after the date on which all the Conditions have been fulfilled or waived (the “**Unconditional Date**”) (or such other date as parties may agree).

Subject to the fulfilment or waiver of the Conditions, Completion is expected to take place before 31 December 2014.

**(g) Termination**

The Sale and Purchase Agreement may be terminated in the following circumstances:

- (i) if the Unconditional Date has not occurred on or before 31 December 2014 (or such other date as the parties may agree), Sateri International may by notice to the Purchaser terminate the Sale and Purchase Agreement; and



- (ii) if either party fails to comply with any material obligation on Completion, the non-defaulting party may by notice to the defaulting party terminate the Sale and Purchase Agreement.

**(h) Certain Other Terms**

In connection with the Transaction, the parties have agreed to the following:

*(i) Intellectual Property Rights*

The name “Sateri” is used in the branding of the products of the Sale Group but not the products of the Remaining Group. Accordingly, on Completion, the Remaining Group will assign to the Purchaser certain intellectual property rights relating to the “Sateri” name and trademark and certain patents owned by the Remaining Group and used by the Sale Group (the “**IP Assignments**”).

Sateri International has also agreed with the Purchaser that unless the parties agree otherwise, within six months after Completion, it will ensure that the name of each member of the Remaining Group that includes the word “Sateri” (in English or Chinese) is changed to exclude the word “Sateri” (in English and Chinese) and that the Remaining Group will cease to use or display any trade or service name or mark, business name or logo comprised in the IP Assignments. Until such change of name occurs, the Remaining Group will be granted an irrevocable, non-exclusive and non-transferable licence for no consideration to continue to use the “Sateri” name (in English and Chinese) and related marks and logos in connection with its business in all countries in which that business is conducted that consist of or include the word “Sateri” (in English or Chinese).

The proposed change of name of certain members of the Remaining Group, including the Company, to exclude the word “Sateri” will facilitate the repositioning of the Remaining Group as a global leading player in the specialty cellulose market. Further details of the proposed change of name of the Company will be made when the Board has made a decision on the proposed new name of the Company.

In addition, on Completion, Sateri International will grant a conditional assignment to the Purchaser (the “**VISIL Assignment**”) pursuant to which Sateri International will assign to the Purchaser the “VISIL” intellectual property rights. The assignment will take effect upon final conclusion of all legal proceedings between the Bankruptcy Estate of Kuitu Oy and Sateri

International. The VISIL Assignment is subject to this condition because, until the conclusion of the legal proceedings with the Bankruptcy Estate of Kuitu Oy, there is no certainty that Sateri International can transfer the “VISIL” intellectual property rights to the Purchaser.

*(ii) Termination of the Agency Agreement and the Sales Framework Agreement*

Pursuant to the Agency Agreement, SC International Macao acts as the agent of DP Macao outside Indonesia with a right of first offer for the sale of dissolving wood pulp produced by TPL and purchased by DP Macao.

Pursuant to the Sales Framework Agreement, DP Macao sells the dissolving wood pulp produced by TPL and purchased by DP Macao to Sateri Jiangxi and Sateri Fujian for use in the production of viscose staple fibers.

Further details of the Agency Agreement and the Sales Framework Agreement are set out in the Company’s announcement dated 16 August 2012 and the circular to Shareholders dated 6 September 2012.

As the Group will cease to own the VSF Business on Completion and in view of the Pulp Supply Agreement being entered into on Completion, the parties to the Agency Agreement and the Sales Framework Agreement will, on Completion, enter into termination agreements to terminate these agreements with effect from Completion.

*(iii) Amendment to the Deed of Non-Competition*

In connection with the Company’s listing on the Stock Exchange in December 2010, the Company entered into the Deed of Non-Competition with the Controlling Shareholders and Pinnacle pursuant to which each of the Controlling Shareholders and Pinnacle agreed, among other things, that:

- (A) it would not, directly or indirectly, own, operate, participate, invest in or carry on any business which engages, participates, invests or has an economic interest in the production, marketing and/or sale of dissolving wood pulp and/or viscose staple fibers which competes or is likely to compete with the core business of the Group (that is, the production, marketing and sale of dissolving wood pulp and viscose staple fibers) (the “**Competing Business**”) anywhere in the world, unless the requirements of the Deed of Non-Competition are met, including where

the prior written consent of the Company (based on an affirmative vote of a majority of all the independent non-executive Directors who do not have, and are not deemed to have, a material interest in the relevant matter) has been obtained; and

- (B) to the extent permitted by applicable Indonesian laws and regulations and the rules of the Indonesia capital market, exercise all the rights that it may have such that TPL will continue to sell all of its dissolving wood pulp for sale outside Indonesia through DP Macao and TPL will not compete with the Group's business outside Indonesia and it would procure that DP Macao will purchase from TPL all of the dissolving wood pulp produced by TPL for sale outside Indonesia and will sell such dissolving wood pulp pursuant to the terms of the Agency Agreement.

Further details of the Deed of Non-Competition are set out in the Company's prospectus dated 26 November 2010.

As the Group will cease to own the VSF Business on Completion and in view of the Pulp Supply Agreement being entered into on Completion, the parties to the Deed of Non-Competition will enter into an amendment deed to the Deed of Non-Competition (the "**Amendment Deed to the Deed of Non-Competition**") on Completion to provide for the following:

- (I) to amend the definition of "Competing Business" so that it would only apply to the production, marketing and/or sale of specialty grade dissolving wood pulp (not including rayon grade dissolving wood pulp) which competes or is likely to compete with the core business of the Remaining Group (that is, the production, marketing and sale of specialty grade dissolving wood pulp) anywhere in the world;
- (II) to remove the provisions relating to TPL referred to in sub-paragraph (B) above;
- (III) in the event of the expiry or termination of the Pulp Supply Agreement, the parties will enter into good faith negotiations to (1) agree further amendments to the Deed of Non-Competition so as to reinstate the restrictions as necessary in respect of the marketing and/or sale of rayon grade dissolving wood pulp by the Controlling Shareholders and Pinnacle (and their respective associates) that would compete with the marketing and/or sale of such product by the Remaining Group and

(2) agree the terms of a new agency agreement in respect of the marketing and/or sale by the Remaining Group of rayon grade dissolving wood pulp produced by the Controlling Shareholders and Pinnacle (and their respective associates); and

(IV) in the event that TPL has the capability and intends to produce any specialty grade dissolving wood pulp for sale, the parties will enter into good faith negotiations to agree the terms of a new agency agreement in respect of the marketing and/or sale by the Remaining Group of specialty grade dissolving wood pulp produced by TPL, or agree on some other appropriate arrangement so as to resolve such competing activity.

Save for the amendments referred to above, all other provisions in the Deed of Non-Competition will remain the same.

*(iv) Termination of the Call Option and ROFR Agreement*

On 25 May 2012, Sateri International transferred to RGE Limited, a company controlled by the Ultimate Controlling Shareholder, the entire issued share capital of RGE China Investment Limited (formerly known as Sateri China Investment Limited), a special purpose vehicle set up to undertake a viscose staple fiber project in Fengdu County, Chongqing, the PRC.

In connection with such transfer, the parties entered into the Call Option and ROFR Agreement pursuant to which RGE Limited agreed to grant to Sateri International (A) a call option to acquire RGE China Investment Limited, which is exercisable at any time during the period of five years from 25 May 2012 and (B) a right of first refusal to acquire RGE China Investment Limited if RGE Limited receives an offer from a third party purchaser to acquire RGE China Investment Limited, which is for a period of five years from 25 May 2012.

Further details of the Call Option and ROFR Agreement are set out in the Company's announcement dated 25 May 2012.

As the Group will cease to own the VSF Business on Completion, the parties to the Call Option and ROFR Agreement will, on Completion, enter into a termination agreement to terminate this agreement with effect from Completion.

(v) *Pulp Supply Agreement*

On Completion, SC International Macao and DP Macao will enter into the Pulp Supply Agreement in relation to the supply of commercial rayon grade dissolving wood pulp by the Remaining Group to DP Macao. Please refer to paragraph 3 below for details of the Pulp Supply Agreement.

(vi) *Settlement of Trading Debt*

The Purchaser has agreed that on Completion, the Purchaser will pay to SC International Macao the amount of US\$30 million (approximately HK\$232.5 million), being amounts owing by Sateri Jiangxi and Sateri Fujian for the purchase of dissolving wood pulp from the Remaining Group pursuant to certain invoices already issued and agreed between the parties (the “**Trading Debt**”). Following Completion, as and when SC International Macao receives any payments from Sateri Jiangxi and/or Sateri Fujian in respect of the Trading Debt, SC International Macao will promptly pay such amounts received to the Purchaser.

In respect of the remaining amounts owing by Sateri Jiangxi and Sateri Fujian to SC International Macao for the purchase of dissolving wood pulp from the Remaining Group up to 31 December 2014 which have payment terms of six months (but excluding purchases of dissolving wood pulp pursuant to invoices comprising the Trading Debt) (the “**Remaining Trading Debt**”), the Purchaser may, at its election, after Completion pay to SC International Macao all or any part of the Remaining Trading Debt and as and when SC International Macao receives any payments from Sateri Jiangxi and/or Sateri Fujian in respect of the Remaining Trading Debt, SC International Macao will promptly pay such amounts received to the Purchaser.

(vii) *Guarantees in respect of Certain Bank Facilities*

Sateri International has provided guarantees in respect of certain bank facilities granted to Sateri Jiangxi and Sateri Fujian (the “**Guarantees**”). In connection with the Transaction, the Purchaser has agreed, in the Sale and Purchase Agreement, to use its best endeavours to replace the Guarantees with guarantees by the Purchaser Group and to ensure that Sateri International is released in full from the Guarantees no later than six months following Completion. Until the release of the Guarantees, the Purchaser will indemnify Sateri International against any loss arising after Completion under or by reason of the Guarantees.

*(viii) Interest Rate Swap Arrangements*

Sateri International has entered into interest rate swaps with certain banks in respect of certain bank borrowings granted to Sateri Fujian for hedging Sateri Fujian's US dollar floating interest rate exposure (the "**Swaps**"). In connection with the Transaction, Sateri International has agreed to transfer the Swaps to the Purchaser on Completion, which may initially be effected by way of back-to-back interest rate swap transactions on Completion with the novation of the Swaps to be effected as soon as reasonably practicable following Completion (or in such other manner as the parties may agree) (the "**Swap Arrangements**"). The parties have further agreed that Sateri International will be responsible for all marked-to-market profit or loss arising from the Swaps up to the date of Completion and any such profit or loss will be settled by Sateri International or the Purchaser (as the case may be) at Completion.

*(ix) Potential Chinese Business Acquisition*

As at the date of the Sale and Purchase Agreement, the Group is considering the potential acquisition of the business and assets of an independent third party (the "**Third Party**") which owns a viscose staple fiber business in the PRC (the "**Chinese Business**") (the "**Potential Chinese Business Acquisition**").

As the Group will cease to own the VSF Business on Completion, Sateri International and the Purchaser have agreed on 29 October 2014 that the Group will not proceed with the Potential Chinese Business Acquisition and the Purchaser Group may pursue the Potential Chinese Business Acquisition subject to the following terms and conditions.

If Completion does not occur and the Sale and Purchase Agreement is terminated and at the date of termination of the Sale and Purchase Agreement:

(A) the Purchaser (or any member of the Purchaser Group) has not entered into an agreement with the Third Party in relation to the Potential Chinese Business Acquisition, Sateri International may, at its option, notify the Purchaser in writing that:

(I) the Group intends to pursue the Potential Chinese Business Acquisition and upon receipt of such notice, (1) the Purchaser Group shall cease all discussions in relation to the Potential

Chinese Business Acquisition with the Third Party and shall not pursue the Potential Chinese Business Acquisition and (2) the Group shall have the right to pursue the Potential Chinese Business Acquisition; or

(II) the Group does not intend to pursue the Potential Chinese Business Acquisition but will permit the Purchaser Group to continue to pursue the Potential Chinese Business Acquisition, provided that if the Purchaser (or any member of the Purchaser Group) acquires the Chinese Business, on completion of such acquisition, the Purchaser shall (or shall procure the relevant member of the Purchaser Group to) grant to Sateri International (1) a call option to acquire the Chinese Business on commercially reasonable terms to be agreed between the parties and which shall be exercisable at any time from the date of grant of the call option for a period of five years and (2) a right of first refusal for a period of five years from the date of grant of the right of first refusal to acquire the Chinese Business if the Purchaser (or the relevant member of the Purchaser Group) receives an offer from a third party purchaser to acquire the Chinese Business at a price and on terms which are no less favourable than those offered by the third party purchaser;

(B) the Purchaser (or any member of the Purchaser Group) has entered into an agreement with the Chinese Party in relation to the Potential Chinese Business Acquisition (the “**Chinese Business Agreement**”) but completion of the acquisition of the Chinese Business has not occurred:

(I) Sateri International may, at its option, notify the Purchaser in writing that it intends to acquire the Chinese Business and require the Purchaser (or the relevant member of the Purchaser Group) to, and the Purchaser shall (or shall procure the relevant member of the Purchaser Group to), assign and transfer all of its rights and obligations under the Chinese Business Agreement to Sateri International for no consideration; and

(II) if Sateri International does not give the notice referred to in sub-paragraph (I) above prior to the completion of the acquisition of the Chinese Business, on completion of such acquisition, the Purchaser shall (or shall procure the relevant member of the Purchaser Group to) grant to Sateri International (1) a call option to acquire the Chinese Business on commercially reasonable terms to be agreed between the parties and which shall be exercisable at

any time from the date of grant of the call option for a period of five years and (2) a right of first refusal for a period of five years from the date of grant of the right of first refusal to acquire the Chinese Business if the Purchaser (or the relevant member of the Purchaser Group) receives an offer from a third party purchaser to acquire the Chinese Business at a price and on terms which are no less favourable than those offered by the third party purchaser; or

- (C) the Purchaser (or any member of the Purchaser Group) has completed the acquisition of the Chinese Business, the Purchaser shall (or shall procure the relevant member of the Purchaser Group to) grant to Sateri International (I) a call option to acquire the Chinese Business on commercially reasonable terms to be agreed between the parties and which shall be exercisable at any time from the date of grant of the call option for a period of five years and (II) a right of first refusal for a period of five years from the date of grant of the right of first refusal to acquire the Chinese Business if the Purchaser (or the relevant member of the Purchaser Group) receives an offer from a third party purchaser to acquire the Chinese Business at a price and on terms which are no less favourable than those offered by the third party purchaser.

If the call option or the right of first refusal referred to above is exercised by Sateri International, the Company will comply with the applicable requirements of the Listing Rules.

Although the Potential Chinese Business Acquisition does not strictly fall within the ambit of the Deed of Non-Competition, the above arrangements to permit the Purchaser Group to pursue the Potential Chinese Business Acquisition comply with the spirit of the Deed of Non-Competition and would enable the Group to protect its business from potential competition from the Purchaser Group if the Transaction is not completed as the Group would then have the option to acquire the Chinese Business if such acquisition is in the best interests of the Company and the Shareholders as a whole. All of the independent non-executive Directors have resolved that the above arrangements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.



### 3. PULP SUPPLY AGREEMENT

On Completion, SC International Macao and DP Macao will enter into the Pulp Supply Agreement. The principal terms of the Pulp Supply Agreement are set out below.

#### (a) Supply of Product

Under the Pulp Supply Agreement, SC International Macao will supply commercial rayon grade dissolving wood pulp (for use in the production of viscose staple fiber) produced by BSC in Brazil (the “**Product**”) to DP Macao. For the avoidance of doubt, the Product will exclude specialty grade dissolving wood pulp.

During the term of the Pulp Supply Agreement, DP Macao will purchase from SC International Macao all of the Product produced by BSC. SC International Macao will, on a monthly basis (or other period as the parties may agree), inform DP Macao of the anticipated quantity of Product to be sold for the following month or period.

SC International Macao will be permitted to sell any off-grade dissolving wood pulp that does not meet DP Macao’s specifications for the production of viscose staple fiber to third parties.

Under the Pulp Supply Agreement, each of SC International Macao and DP Macao is entitled to assign or transfer its rights and obligations under the Pulp Supply Agreement to any of its affiliates without the prior consent of the other party.

#### (b) Price

In respect of each calendar month, the net invoice price of the Product for such month will be the global open market spot price at the time of purchase that would be payable in a transaction between independent third parties for a comparable quantity and quality of rayon grade dissolving wood pulp products.

DP Macao has undertaken to SC international Macao that it will ensure that any sale of the Product by or on its behalf to any customer in the PRC (including Sateri Jiangxi and Sateri Fujian) will be at a price which complies with the minimum import price set out in the price undertaking of BSC pursuant to the final ruling of the Ministry of Commerce of the PRC (“**MOFCOM**”) dated 4 April 2014 (the “**Price Undertaking**”) in relation to the antidumping

investigation by MOFCOM of dissolving wood pulp imports into the PRC, to the extent applicable to the products produced by BSC (subject to adjustment in accordance with the Price Undertaking). DP Macao has further undertaken to SC International Macao that it will provide all reasonable assistance to SC International Macao to comply with all other requirements of the Price Undertaking including, but not limited to, the provision of information relating to sales of the Product that may be reasonably required by SC International Macao or BSC for the purposes of compliance with the Price Undertaking. DP Macao has agreed to indemnify the Group for any loss which any member of the Group suffers or incurs as a result of any breach of this undertaking by DP Macao. Further details of the Price Undertaking are set out in the Company's announcement dated 7 April 2014.

DP Macao will pay for all purchases under the Pulp Supply Agreement within 180 days from the invoice date (or such other period as the parties may agree, taking into account the market conditions at the relevant time).

**(c) Duration and Termination**

The Pulp Supply Agreement will be effective from 1 January 2015 for a term of three years.

The Pulp Supply Agreement may be terminated in the following circumstances:

- (i) by SC International Macao if DP Macao (A) commits a material breach of any term of the Pulp Supply Agreement which remains un-remedied 30 days after the date of written request to remedy the same by SC International Macao, (B) is unable to pay its debts or has a receiver, administrator, administrative receiver or liquidator appointed in respect of its assets or (C) ceases for any other reason to carry on business;
- (ii) by DP Macao if SC International Macao (A) commits a material breach of any term of the Pulp Supply Agreement which remains un-remedied 30 days after the date written request to remedy the same by DP Macao, (B) is unable to pay its debts or has a receiver, administrator, administrative receiver or liquidator appointed in respect of its assets or (C) ceases for any other reason to carry on business; and

(iii) upon 90 days' notice being given by SC International Macao or DP Macao to the other party if:

- (A) the Controlling Shareholders cease to be together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company; or
- (B) the Ultimate Controlling Shareholder or the Tanoto Family (as defined in the Deed of Non-Competition) ceases to be entitled to exercise or control the exercise of 50% or more of the voting power at general meetings of the Purchaser.

**(d) Annual Caps**

The annual caps for the transactions under the Pulp Supply Agreement for the three years ending 31 December 2017 and the basis for determining the annual caps are set out below:

	<b>Year ending 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Projected annual production capacity of BSC for producing rayon grade dissolving wood pulp (in metric tons) <sup>(1)</sup>	360,000	345,000	330,000
Expected sale price per metric ton of rayon grade dissolving wood pulp <sup>(2)</sup>	US\$1,100	US\$1,150	US\$1,200
<b>Annual cap for the year</b>	<b>US\$396,000,000</b>	<b>US\$396,750,000</b>	<b>US\$396,000,000</b>

*Notes:*

- (1) The annual production capacity of the BSC mill in Brazil for the production of a mix of rayon grade and specialty grade dissolving wood pulp is estimated at 465,000 tons. In 2013, BSC sold approximately 105,000 tons of specialty grade dissolving wood pulp and accordingly, BSC's maximum annual production capacity for producing rayon grade dissolving wood pulp is estimated at 360,000 tons. The Company expects BSC to increase its annual production capacity for producing specialty grade dissolving wood pulp from 2015 to 2017 and accordingly, there will be a corresponding reduction in the annual production capacity for producing rayon grade dissolving wood pulp from 360,000 tons in 2015 to 330,000 tons in 2017. Under the terms of the Pulp Supply Agreement, all rayon grade dissolving wood pulp produced by BSC will be purchased by DP Macao.

- (2) The expected sale price is determined by reference to the high end of the projected price range of rayon grade dissolving wood pulp for the period from 2014 to 2020, based on data provided by PCI Fibres, an independent consultant in the fibers and textiles markets, and taking into account the Price Undertaking.

#### **4. REASONS FOR AND BENEFITS OF THE TRANSACTION**

The Directors are of the view that the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement) are in the interests of the Company and the Shareholders as a whole for the following reasons.

##### **(a) Crystallise and unlock value of the VSF Business**

The Directors believe the Transaction represents an attractive valuation for the VSF Business based on different valuation metrics, and when compared against the Company's market capitalisation immediately prior to the Company's announcement on 16 September 2014. Furthermore, the Directors have taken into consideration the difficult operating environment faced by the VSF Business in recent years, and therefore believe that the Transaction will provide an opportunity for the Company to crystallise the value of the VSF Business at an attractive valuation in the current challenging market conditions.

Driven by excess supply and intense competition in the PRC's fragmented viscose staple fiber industry, a significant drop in market prices for viscose staple fiber since 2011 has put the VSF Business under considerable pressure, as the Group's average selling price of viscose staple fiber declined from US\$2,588 per ton in 2011 to US\$1,663 per ton in the first half of 2014. In the near term, the challenging operating environment is expected to continue as over-supply in the market will continue to put pressure on viscose staple fiber prices.

The Directors therefore believe the Transaction will enable the Company to unlock the value of the VSF Business, which is not currently reflected in the Company's share price.

In addition, it is the Company's intention, subject to undertaking a detailed review of the Remaining Group's capital needs, to distribute a substantial portion of the net proceeds of the Transaction to the Shareholders by way of a special dividend. If such special dividend is made, it would offer Shareholders the opportunity to monetise part of their investment in the Company.

**(b) Simplified business model with a focus on the upstream dissolving wood pulp and clearer value proposition**

Following the Transaction, the Company will be a leading global pure-play dissolving wood pulp producer. The Remaining Group's business, including BSC, is the third largest dissolving wood pulp producer in the world with an annual production capacity of 485,000 tons. In addition to its state-of-the-art production facilities, it also owns over 150,000 hectares of freehold timberland in Brazil, which is currently able to meet all the wood requirements of its dissolving wood pulp mill in Brazil.

The Remaining Group's dissolving wood pulp business has shown resilience in recent years, despite a significant decline in the market price for dissolving wood pulp. By benefiting from its leading market position and self-sustaining operational model, the Remaining Group's dissolving wood pulp business has been able to generate consistently strong earnings.

The Directors believe that a streamlined business model will be easier for investors to understand and the Company will benefit from enhanced comparability with its listed industry peers.

**(c) Enable the Remaining Group to focus its efforts on becoming a global leading player in the specialty cellulose market**

Following the Transaction, the Remaining Group will be able to focus its resources on further strengthening its dissolving wood pulp business, particularly in the specialty grade segment.

As part of the Transaction, SC International Macao will also enter into a three year Pulp Supply Agreement with DP Macao. The Pulp Supply Agreement will give the Remaining Group certainty on its sales of rayon grade dissolving wood pulp at the market price. This would enable the Remaining Group to focus its efforts on the production and sale of specialty grade dissolving wood pulp, with a view that all rayon grade dissolving wood pulp produced by BSC with its remaining production capacity will be contractually purchased in its entirety by DP Macao under the Pulp Supply Agreement. This arrangement would also provide BSC with certainty on the capacity utilisation of its mill in Brazil by ensuring it is operating at the optimal level.

Although the Remaining Group will only be selling its rayon grade dissolving wood pulp to DP Macao (who is a connected person of the Company) and would therefore be relying on DP Macao as its only customer for the production of

rayon grade dissolving wood pulp during the term of the Pulp Supply Agreement, the Company is of the view that the Pulp Supply Agreement would allow the Remaining Group to (i) optimise the production level of its mill in Brazil, which should allow economies of scale and better cost control, (ii) save logistical costs since the Remaining Group understands that delivery of the rayon grade dissolving wood pulp purchased by DP Macao will be made to only two locations in the PRC (being the Sateri Fujian and Sateri Jiangxi plants in the PRC), as opposed to multi-location sales, (iii) reduce administrative costs and sales and marketing costs as there is a contractual commitment from DP Macao to purchase all of the rayon grade dissolving wood pulp produced by the Remaining Group and (iv) reduce credit risks to potentially less creditworthy customers. In the event that the Pulp Supply Agreement is terminated or expires, the Remaining Group is confident that it would be able to sell its rayon grade dissolving wood pulp to purchasers of such pulp other than DP Macao. In addition, upon its expiry, depending on the then market conditions, the Remaining Group may consider an extension of the Pulp Supply Agreement, subject to mutual agreement with DP Macao and compliance with the applicable requirements of the Listing Rules.

As the world's second largest specialty dissolving wood pulp producer in terms of potential production capacity, the Remaining Group is expected to benefit in the long-term from the strategic shift from rayon grade dissolving wood pulp towards specialty grade dissolving wood pulp. Not only does specialty grade dissolving wood pulp generally generate higher margins than rayon grade dissolving wood pulp due to its ultra-high purity and use in high-value end markets, there are currently only a few key suppliers in the world due to its specialised nature and high barriers to entry.

The Directors (excluding (i) Mr. TEY Wei Lin, the Executive Director and Chief Executive Officer of the Company, who voluntarily abstained from voting on the relevant resolutions of the Board in respect of the Transaction and the Transaction Documents given his positions in various companies controlled by the Ultimate Controlling Shareholder and (ii) the independent non-executive Directors whose views will be set out in the letter from the Independent Board Committee in the Circular) are of the view that the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition) are on normal commercial terms and in the ordinary and usual course of business of the Group and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **5. FINANCIAL EFFECTS OF THE TRANSACTION**

The unaudited combined NAV of the Sale Group was approximately US\$123.7 million as at 30 June 2014 according to its latest unaudited accounts. It is expected that, for illustrative purposes only, the Transaction will result in an estimated increase in the consolidated profit before taxation for the Group of approximately US\$36.5 million, which is based on (a) the expected amount of the Consideration of US\$589.5 million, (b) the outstanding amount of the loans granted by the Remaining Group to the Sale Group as at 30 June 2014 of US\$465.2 million, (c) the unaudited combined NAV of the Sale Group as at 30 June 2014 of approximately US\$123.7 million, (d) the translation reserve as at 30 June 2014 of approximately US\$39.9 million in relation to the Sale Group to be transferred to profit and loss upon Completion and (e) the related expenses of approximately US\$4.0 million.

The actual gain or loss arising from the Transaction would be different from the above and will be subject to audit and determined based on (i) the amounts as at the date of Completion of the Sale Group's combined NAV, (ii) the Sale Loans and the translation reserve balance as at the date of Completion, (iii) the prevailing exchange rate and (iv) the actual amount of expenses incurred in relation to the Transaction.

Upon Completion, the Sale Group will cease to be subsidiaries of the Group. The profit and loss and the assets and liabilities of the Sale Group will no longer be consolidated into the Group's consolidated financial statements.

## **6. USE OF PROCEEDS FROM THE TRANSACTION**

On Completion, the Company will receive total gross cash proceeds comprising the Consideration and the amount of the Trading Debt, which is currently estimated to be approximately US\$619.5 million (approximately HK\$4,801.1 million). This is equivalent to approximately HK\$1.40 per Share, which represents approximately 92.7% of the closing price of the Shares of HK\$1.51 on 15 September 2014, being the last trading day immediately preceding the Company's announcement on 16 September 2014 that it had received an expression of interest from the Purchaser to acquire the VSF Business.

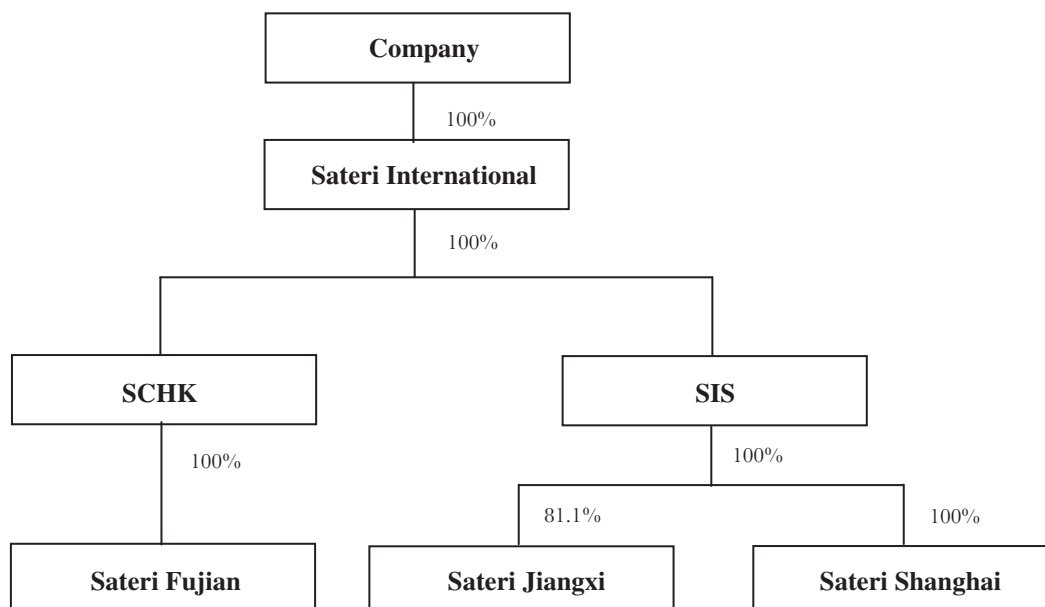
The Company has not made a final decision on the use of proceeds from the Transaction. Its intention is that, subject to the outcome of a detailed review of the Remaining Group's capital needs, a substantial portion of the net proceeds of the Transaction will be applied towards making distributions to the Shareholders by way of a special dividend. The Company will make a further announcement on the intended use of proceeds upon a final decision thereon being made.

## 7. INFORMATION ON THE SALE GROUP, SCHK AND SIS

### Information on the Sale Group

The Sale Group owns and operates the VSF Business.

The following chart shows the existing ownership structure of the Sale Group.



On Completion, the Sale Group will cease to be subsidiaries of the Company.

The unaudited combined NAV of the Sale Group as at 31 December 2013 was US\$131.1 million (approximately HK\$1,016.0 million).

The unaudited combined profit or loss before tax and after tax of the Sale Group for each of the two financial years ended 31 December 2013 are set out below:

	Financial Year Ended 31 December	
	2012	2013
Profit/(loss) before tax	US\$(4.4) million (approximately HK\$(34.1) million)	US\$5.8 million (approximately HK\$45.0 million)
Profit/(loss) after tax	US\$(8.5) million (approximately HK\$(65.9) million)	US\$5.7 million (approximately HK\$44.2 million)

### Information on SCHK

The unaudited consolidated NAV of SCHK as at 31 December 2013 was US\$(30.3) million (approximately HK\$(234.8) million).



The unaudited consolidated profit or loss before tax and after tax of SCHK for each of the two financial years ended 31 December 2013 are set out below:

	<b>Financial Year Ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
Profit/(loss) before tax	US\$(7.7) million (approximately HK\$(59.7) million)	US\$(19.2) million (approximately HK\$(148.8) million)
Profit/(loss) after tax	US\$(9.8) million (approximately HK\$(76.0) million)	US\$(19.2) million (approximately HK\$(148.8) million)

### **Information on SIS**

The unaudited consolidated NAV of SIS as at 31 December 2013 was US\$161.4 million (approximately HK\$1,250.9 million).

The unaudited consolidated profit or loss before tax and after tax of SIS for each of the two financial years ended 31 December 2013 are set out below:

	<b>Financial Year Ended 31 December</b>	
	<b>2012</b>	<b>2013</b>
Profit/(loss) before tax	US\$3.3 million (approximately HK\$25.6 million)	US\$25.0 million (approximately HK\$193.8 million)
Profit/(loss) after tax	US\$1.3 million (approximately HK\$10.1 million)	US\$24.9 million (approximately HK\$193.0 million)

## **8. INFORMATION ON THE GROUP**

The Group is one of the largest specialty cellulose producers in the world. The Group produces dissolving wood pulp at its BSC plant in Brazil using wood resources grown from its captive eucalyptus plantations and viscose staple fiber at its mills in Jiangxi and Fujian, the PRC, using dissolving wood pulp as its main raw material.

## **9. INFORMATION ON THE PURCHASER**

The Purchaser is an investment holding company and is controlled by the Ultimate Controlling Shareholder.

## **10. LISTING RULES IMPLICATIONS**

### **(a) The Transaction**

The Purchaser is a company controlled by the Ultimate Controlling Shareholder. As the Ultimate Controlling Shareholder is a connected person of the Company, the Purchaser is an associate of the Ultimate Controlling Shareholder and thereby a connected person of the Company. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of the Transaction is more than 25% but less than 75%, the Transaction also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the Transaction is subject to the announcement, reporting and independent shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

### **(b) Pulp Supply Agreement**

DP Macao is a company controlled by the Ultimate Controlling Shareholder. As the Ultimate Controlling Shareholder is a connected person of the Company, DP Macao is an associate of the Ultimate Controlling Shareholder and thereby a connected person of the Company. Accordingly, the Pulp Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions contemplated under the Pulp Supply Agreement will, on an annual basis, be more than 5%, such transactions constitute continuing connected transactions subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **(c) Guarantees**

The provision of the Guarantees by Sateri International in respect of certain bank facilities granted to Sateri Jiangxi and Sateri Fujian following Completion constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of the Guarantees will be more than 5%, the provision of the Guarantees constitutes a connected transaction subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(d) Swap Arrangements**

The Swap Arrangements between Sateri International and the Purchaser following Completion constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of the Swap Arrangements is less than 5%, the Swap Arrangements constitute a connected transaction that is subject to the announcement and reporting requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(e) Termination of the Call Option and ROFR Agreement**

RGE Limited is a company controlled by the Ultimate Controlling Shareholder. As the Ultimate Controlling Shareholder is a connected person of the Company, RGE Limited is an associate of the Ultimate Controlling Shareholder and thereby a connected person of the Company. Accordingly, the termination of the Call Option and ROFR Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios under the Listing Rules in respect of RGE China Investment Limited, being the subject of the Call Option and ROFR Agreement, is less than 5%, the termination of the Call Option and ROFR Agreement constitutes a connected transaction that is subject to the announcement and reporting requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**11. GENERAL INFORMATION**

**(a) Special General Meeting**

A SGM will be convened to consider and, if thought fit, to approve the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition). Gold Silk and its associates will abstain from voting on the resolution to approve the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition) at the SGM.

**(b) Independent Board Committee**

The Independent Board Committee, comprising all the independent non-executive Directors, has been appointed and will consider and advise the Independent Shareholders on the terms of the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition).

**(c) Independent Financial Adviser**

Rothschild has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition).

**(d) Financial Adviser**

Credit Suisse (Hong Kong) Limited has been appointed as the financial adviser to advise the Company on the Transaction.

**(e) Circular**

The Circular containing, among other things, (i) details of the Transaction and the transactions contemplated under the Transaction Documents, including the annual caps for the Pulp Supply Agreement, (ii) the letter from the Independent Board Committee to the Independent Shareholders, (iii) the letter of advice from Rothschild to the Independent Board Committee and the Independent Shareholders and (iv) the notice of the SGM, is expected to be despatched to the Shareholders on or before 19 November 2014.

**(f) Warning**

**Shareholders and potential investors in the Company should note that the Transaction is subject to the fulfilment of certain conditions, including the approval of the Independent Shareholders, and may be terminated in certain circumstances. Accordingly, there is no assurance that the Transaction will be completed. Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.**

## 12. DEFINITIONS

“Agency Agreement”	the Agency Agreement dated 16 August 2012 entered into between SC International Macao and DP Macao
“associate”	has the meaning ascribed to it in the Listing Rules
“Auditors”	PricewaterhouseCoopers, the auditors of the Group
“Board”	the board of directors of the Company
“BSC”	Bahia Specialty Cellulose S.A., a limited liability company incorporated in Brazil and a subsidiary of the Company
“Call Option and ROFR Agreement”	the Call Option and Right of First Refusal Agreement relating to RGE China Investment Limited (formerly known as Sateri China Investment Limited) dated 25 May 2012 entered into between RGE Limited and Sateri International
“Circular”	the circular in relation to the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition) to be despatched to the Shareholders in accordance with the Listing Rules
“Company”	Sateri Holdings Limited, a company incorporated in Bermuda as an exempted company with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1768)
“Completion”	completion of the Transaction
“connected person”	has the meaning ascribed to it in the Listing Rules
“connected transaction”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules

“Controlling Shareholders”	the controlling shareholders of the Company, being Gold Silk, Fiduco Trust Management AG (the trustee of a discretionary trust established by the Ultimate Controlling Shareholder as settlor) and the Ultimate Controlling Shareholder
“Deed of Non-Competition”	the Deed of Non-Competition dated 19 November 2010 entered into between the Controlling Shareholders, Pinnacle and the Company
“Director(s)”	the director(s) of the Company
“DP Macao”	DP Marketing International Macao Commercial Offshore Limited (formerly known as DP Marketing International Limited — Macao Commercial Offshore), a limited liability company incorporated in Macau and controlled by the Ultimate Controlling Shareholder
“Gold Silk”	Gold Silk Holdings Limited, a limited liability company incorporated in the Cayman Islands and the immediate controlling shareholder of the Company and which is controlled by the Ultimate Controlling Shareholder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive Directors, which will, among other things, consider and advise the Independent Shareholders in relation to the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition)

“Independent Shareholders”	Shareholders, other than Gold Silk and its associates, who do not have a material interest in, and who are not required to abstain from voting on, the resolutions to approve the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“NAV”	net asset value, excluding non-controlling interests
“PRC”	the People’s Republic of China
“Pinnacle”	Pinnacle Company Limited, a limited liability company incorporated in Republic of Seychelles and controlled by the Ultimate Controlling Shareholder
“Pulp Supply Agreement”	the pulp supply agreement to be entered into between SC International Macao and DP Macao on Completion
“Purchaser”	Pacific Viscose Limited, a limited liability company incorporated in Hong Kong and controlled by the Ultimate Controlling Shareholder
“Purchaser Group”	the Purchaser, its subsidiaries and parent company and any subsidiaries of its parent company, including DP Macao
“Remaining Group”	the Group (excluding the Sale Group)

“Rothschild” or “Independent Financial Adviser”	Rothschild (Hong Kong) Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition)
“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 29 October 2014 entered into between Sateri International and the Purchaser in relation to the Transaction
“Sale Group”	the group of companies comprising SCHK, SIS and their subsidiaries, Sateri Fujian, Sateri Jiangxi and Sateri Shanghai, which together own and operate the VSF Business
“Sale Loans”	the outstanding amount of the loans granted by the Remaining Group to the Sale Group as at 31 October 2014, together with interest payments accrued due and unpaid as at the close of business on 31 October 2014
“Sale Shares”	the entire issued share capital in each of SCHK and SIS
“Sales Framework Agreement”	the Sales Framework Agreement dated 16 August 2012 entered into between Sateri Jiangxi, Sateri Fujian and DP Macao
“Sateri Fujian”	Sateri (Fujian) Fibre Co., Ltd., a limited liability company incorporated in the PRC and a subsidiary of the Company immediately prior to Completion
“Sateri International”	Sateri International Co. Ltd, a limited liability company incorporated in the British Virgin Islands and a subsidiary of the Company



“Sateri Jiangxi”	Sateri (Jiangxi) Chemical Fibre Co., Ltd., a limited liability company incorporated in the PRC and a subsidiary of the Company immediately prior to Completion
“Sateri Shanghai”	Sateri (Shanghai) Management Limited, a limited liability company incorporated in the PRC and a subsidiary of the Company immediately prior to Completion
“SC International Macao”	SC International Macao Commercial Offshore Limited, a limited liability company incorporated in Macau and a subsidiary of the Company
“SCHK”	Sateri China (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a subsidiary of the Company immediately prior to Completion
“Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Transaction and the transactions contemplated under the Transaction Documents (including the Pulp Supply Agreement and the annual caps for the three financial years ending 31 December 2017, the provision of the Guarantees and the amendments to the Deed of Non-Competition)
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary share(s) in the capital of the Company with a nominal value of US\$0.05 each
“SIS”	Sateri International (Singapore) Pte Ltd, a limited liability company incorporated in Singapore and a subsidiary of the Company immediately prior to Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“TPL”	PT Toba Pulp Lestari Tbk, a limited liability company incorporated in Indonesia and listed on the Indonesia Stock Exchange, whose majority shareholder is Pinnacle
“Transaction”	the proposed sale and purchase of the Sale Shares and the Sale Loans on the terms and conditions set out in the Sale and Purchase Agreement
“Transaction Documents”	(a) the Sale and Purchase Agreement, (b) the assignments of the Sale Loans, (c) the IP Assignments, (d) the Amendment Deed to the Deed of Non-Competition, (e) the termination agreements relating to the Agency Agreement, the Sales Framework Agreement and the Call Option and ROFR Agreement, (f) the Pulp Supply Agreement, (g) the VISIL Assignment and (h) the agreements and documents to give effect to the Swap Arrangements
“Ultimate Controlling Shareholder”	Mr. Sukanto Tanoto, the ultimate controlling shareholder of the Company and Gold Silk
“US\$”	United States dollars, the lawful currency of the United States of America
“VSF Business”	the Group’s viscose staple fiber business in the PRC

For the purpose of this announcement and for reference only, the exchange rate of US\$1.00 to HK\$7.75 has been adopted.

Hong Kong, 29 October 2014

*As at the date of this announcement, the Board comprises Mr. TEY Wei Lin (Chief Executive Officer) as an Executive Director; Mr. Armin MEYER as a Non-executive Director; and Mr. John Jeffrey YING (Chairman), Mr. Jeffrey LAM Kin Fung, Mr. David YU Hon To, Mr. LIM Ah Doo and Mr. LOW Weng Keong as Independent Non-executive Directors.*