



# Sino-Forest (A)

[Thecasesolutions.com](http://Thecasesolutions.com)

**Sino -Forest China**

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Hong Kong - Executive Office

Forest Plantation

Entered Canada - 1994

Sino - Forest Canada

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Buy Out Company

32% of Forests

Toronto Stock Exchange (TRE.TO)

Ernst & Young 2007-2010

# Financial Information

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[Expressed in thousands of United States dollars] [unaudited]	Notes	As at June 30, 2011 \$	As at December 31, 2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		861,648	1,223,352
Short-term deposits		37,217	32,101
Trade and other receivables	8	428,020	699,393
Prepayments	9	97,631	68,139
Timber holdings, measured at cost	10	3,483,676	2,888,556
Inventories	11	65,775	50,977
		<b>4,973,967</b>	<b>4,962,518</b>
<b>Non-current assets</b>			
Timber holdings, measured at fair value	10	262,036	249,090
Property, plant and equipment	13	90,124	82,525
Investment properties		23,430	23,498
Other non-current financial assets	12	9,072	11,153
Intangible assets and goodwill	13	272,718	264,217
Other assets	9	266,928	200,455
Deferred tax asset	6	3,948	3,500
		<b>928,256</b>	<b>834,438</b>
<b>Total assets</b>		<b>5,902,223</b>	<b>5,796,956</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	12	204,501	241,629
Trade and other payables		297,021	338,719
Provisions	18	225,519	183,874
Income taxes payable		10,109	10,979
		<b>737,150</b>	<b>775,201</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	12	1,566,811	1,541,093
Deferred tax liability	6	49,593	48,934
Derivative financial instruments	12	31,858	448,326
		<b>1,648,262</b>	<b>2,038,353</b>

# The Problem

## What Did They Do?

- Fake Assets
- Fake Transactions
- Undisclosed Subsidiaries (Canada)  
Hire oblivious management
- Western Auditors

## Muddy Waters

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Research Company

Claims Sino-Forest:

- "Grew" finances 10+ years
- Fabricated sale transactions
- Assets overstated by 6 times
- Currently delisted on T.S.E.

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## Falsified Financial Information

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2007 - 2010  
Sino-Forest  
Financials  
Audited by  
Thecasesolutions.com

Falsified Revenues  
2007: 2022 million  
2008: 2000 million

1991 & 1992  
Delisted  
Setback for 117 million

# Muddy Waters

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# Falsified Financial Information

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2003 - Jakko Poyry  
Valuation reports  
Journal entries  
Validated, no audi

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Falsified Documents  
China (\$922 million)  
Canada Sales > \$800 million

Ernst & Young  
Quit the file  
Settled for \$117 million



2003 - Jakko Poyry

Valuation reports

Journal entries

Validated, no audi

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