

Sino-Forest (B)



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Introduction

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- Founded in 1994
- Canadian listed, China based company
- Main Business: Owning and managing tree plantations and manufacturing of engineering-wood products
- Listed on Toronto Stock Exchange since 1995.

Causes

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- Inability to prove ownership
- Questionable business model
 - off-book transactions
 - cash flows that cannot be proven

Investigation

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- Muddy Waters report in 2011
- Independent investigations in 2011 and 2012
- OSC hearing in 2012

Consequences

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Impact on shareholders

- shares dropped from \$25 to \$4.81
- a loss of \$3.4 billion total

Impact on bondholders

- long-term debt credit rating reduced to "CCC-"
- high possibility to face default

Impact on subsidiaries- Greenheart is a case

- shares dropped 67% in 3 months
- market value dropped by 20%

Settlements

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- Ernst and young: \$117 million
- Sino-Forest: \$32.5 million
- David Horsley, CFO of Sino-Forest: \$0.7 million
- Sue Muddy Waters for \$4.0 billion



Thank You
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