SINO-FOREST CORPORATION

Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2011

Notice of no auditor review of the condensed interim consolidated financial statements

The accompanying unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have not been reviewed by the Company's external auditors.

On June 2, 2011, Muddy Waters, LLC issued a report (the "Report") containing various allegations regarding the Company, its assets, operations and financial results. As a result of the Report, on June 2, 2011, the Board of Directors of the Company appointed a committee of independent directors (the "Independent Committee") to thoroughly examine and review the allegations contained in the Report, and report back to the Board of Directors. The Independent Committee has retained independent legal counsel in Canada, Hong Kong and mainland China. The Independent Committee is also using the services of independent accounting firm PricewaterhouseCoopers and affiliates ("PwC") to assist with the examination. PwC is highly familiar with the forestry industry and with the business environment in China.

The Company's external auditors were initially engaged to conduct a review of the interim financial statements for the three months ended March 31, 2011 in accordance with Canadian standards for the auditor review of interim financial statements. The Company's auditors have advised that they are unable to complete a review of the Interim Financial Statements until the completion of the examination and review by the Independent Committee and the auditors' consideration of the results thereof.

The Board of Directors and management believe that, based on information currently available to them, the Interim Financial Statements were compiled in accordance with IAS 34 Interim Financial Reporting and the requirements of IFRS 1 First Time Adoption of International Financial Reporting Standards and fairly depict the financial condition and results of operations of the Company. However, in the event that the allegations set forth in the Report prove to be accurate, in whole or in part, the information set forth in the Interim Financial Statements may differ materially and the Interim Financial Statements could be subject to restatement. As a result, readers should exercise caution in relying on such financial statements. See Note 2.1 of the Interim Financial Statements.

SINO-FOREST CORPORATION
Condensed Interim Consolidated Income Statements

[Expressed in thousands of United States dollars, except for earnings per share information] [unaudited]

	Notes	For the three months ended June 30, 2011 $	For the three months ended June 30, 2010 $	For the six months ended June 30, 2011 $	For the six months ended June 30, 2010 $
Continuing Operations					
Wood fibre		**288,216**	281,322	**612,636**	521,049
Manufacturing and other		**18,088**	17,265	**30,942**	28,553
Greenheart		**11,080**	—	**12,730**	—
Revenue	**5**	**317,384**	298,587	**656,308**	549,602
Cost of sales		**(246,874)**	(185,562)	**(470,387)**	(348,781)
Gain on change in fair value of timber holdings less estimated point-of-sale cost		**4,892**	1,296	**15,281**	11,714
Gross profit		**75,402**	114,321	**201,202**	212,535
Other operating income		**207**	154	**519**	465
Selling and administrative expenses		**(40,319)**	(23,223)	**(70,659)**	(46,233)
Other operating expenses		**(4,049)**	(1,658)	**(6,510)**	(1,730)
Operating profit		**31,241**	89,594	**124,552**	165,037
Finance costs		**(45,610)**	(34,317)	**(90,027)**	(64,898)
Finance income		**4,563**	5,515	**6,111**	8,940
(Loss) profit before changes in fair value of financial instruments		**(9,806)**	60,792	**40,636**	109,079
Gain on changes in fair value of financial instruments	**12, 19**	**469,508**	150,066	**416,468**	128,948
Profit before tax from continuing operations		**459,702**	210,858	**457,104**	238,027
Income tax expense	**6**	**(12,477)**	(11,443)	**(32,263)**	(22,102)
Profit for the period from continuing operations		**447,225**	199,415	**424,841**	215,925
Discontinued operations					
(Loss) profit after tax for the period from discontinued operations		**(104)**	(455)	**173**	(1,050)
Net profit for the period		**447,121**	198,960	**425,014**	214,875
Attributable to:					
Equity holders of the parent		**447,063**	198,936	**426,363**	214,853
Non-controlling interests		**58**	24	**(1,349)**	22
		447,121	198,960	**425,014**	214,875

SINO-FOREST CORPORATION
Condensed Interim Consolidated Income Statements (cont'd)

[Expressed in thousands of United States dollars, except for earnings per share information] [unaudited]

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Earnings per share, attributable to equity holders of the parent				
- Basic, for profit for the period	**1.82**	0.82	**1.73**	0.88
- Diluted, for profit for the period	**1.64**	0.77	**1.63**	0.88
Earnings per share for continuing operations, attributable to equity holders of the parent				
- Basic, for profit from continuing operations	**1.82**	0.82	**1.73**	0.89
- Diluted, for profit from continuing operations	**1.64**	0.77	**1.63**	0.88
Earnings (loss) per share for discontinued operations, attributable to equity holders of the parent				
- Basic, for (loss) profit from discontinued operations	**(0.00)**	(0.00)	**0.00**	(0.00)
- Diluted, for (loss) profit from discontinued operations	**(0.00)**	(0.00)	**0.00**	(0.00)

SINO-FOREST CORPORATION
Condensed Interim Consolidated Statements of Comprehensive Income

[Expressed in thousands of United States dollars] [unaudited]

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net profit for the period	**447,121**	198,960	**425,014**	214,875
Unrealized net gains on available-for-sale financial assets, after tax impact of $143 for the three months and six months ended June 30, 2010	**—**	466	**—**	2,005
Unrealized exchange differences on translation of foreign operations	**56,480**	16,279	**95,868**	16,661
Other comprehensive income for the period, net of tax	**56,480**	16,745	**95,868**	18,666
Total comprehensive income for the period, net of tax	**503,601**	215,705	**520,882**	233,541
Attributable to:				
Equity holders of the parent	**503,234**	215,681	**521,922**	233,519
Non-controlling interests	**367**	24	**(1,040)**	22
	503,601	215,705	**520,882**	233,541

SINO-FOREST CORPORATION

Condensed Interim Consolidated Statements of Financial Position

[Expressed in thousands of United States dollars] [unaudited]

	Notes	**As at June 30, 2011** **$**	As at December 31, 2010 $
ASSETS			
Current assets			
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
		4,973,967	4,962,518
Non-current assets			
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
		928,256	834,438
Total assets		**5,902,223**	5,796,956

SINO-FOREST CORPORATION
Condensed Interim Consolidated Statements of Financial Position (cont'd)

[Expressed in thousands of United States dollars] [unaudited]

	Notes	**As at June 30, 2011 $**	As at December 31, 2010 $
LIABILITIES AND EQUITY			
Current liabilities			
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
		737,150	775,201
Non-current liabilities			
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
		1,648,262	2,038,353
Total liabilities		**2,385,412**	2,813,554
Equity			
Issued capital	14	**1,268,022**	1,261,086
Retained earnings		**1,964,854**	1,544,960
Other reserves		**211,773**	115,432
Equity attributable to equity holders of the parent		**3,444,649**	2,921,478
Non-controlling interests		**72,162**	61,924
Total equity		**3,516,811**	2,983,402
Total liabilities and equity		**5,902,223**	5,796,956

SINO-FOREST CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
[Expressed in thousands of United States dollars] [unaudited]

	Attributable to equity holders of the parent								
	Issued capital	Contributed surplus	Revaluation reserve	Foreign currency translation reserve	PRC statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$	$
At January 1, 2011	1,261,086	11,489	640	101,315	1,988	1,544,960	2,921,478	61,924	2,983,402
Profit for the period	—	—	—	—	—	426,363	426,363	(1,349)	425,014
Other comprehensive income	—	—	—	95,559	—	—	95,559	309	95,868
Total comprehensive income	**—**	**—**	**—**	**95,559**	**—**	**426,363**	**521,922**	**(1,040)**	**520,882**
Issue of share capital	6,936	—	—	—	—	—	6,936	—	6,936
Lapse of share options of a subsidiary	—	—	—	—	—	7	7	(7)	—
Share-based payment transactions	—	1,015	—	—	—	—	1,015	—	1,015
Acquisition of non-controlling interests	—	—	(233)	—	—	(6,476)	(6,709)	11,285	4,576
At June 30, 2011	**1,268,022**	**12,504**	**407**	**196,874**	**1,988**	**1,964,854**	**3,444,649**	**72,162**	**3,516,811**

SINO-FORSET CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity (cont'd)

[Expressed in thousands of United States dollars] [unaudited]

	Attributable to equity holders of the parent								
	Issued capital	Contributed surplus	Revaluation reserve	Foreign currency translation reserve	PRC statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	$	$	$	$	$	$	$	$	$
At January 1, 2010	1,213,483	12,933	6,266	—	1,670	1,211,210	2,445,562	—	2,445,562
Profit for the period	—	—	—	—	—	214,853	214,853	22	214,875
Other comprehensive income	—	—	2,005	16,661	—	—	18,666	—	18,666
Total comprehensive income	**—**	**—**	**2,005**	**16,661**	**—**	**214,853**	**233,519**	**22**	**233,541**
Transfer from (to) retained earnings	—	—	—	—	(17)	17	—	—	—
Issue of share capital	33,268	—	—	—	—	—	33,268	—	33,268
Exercise of share options	6,727	(1,831)	—	—	—	—	4,896	—	4,896
Share-based payment transactions	—	1,108	—	—	—	—	1,108	—	1,108
Acquisition of subsidiaries	—	—	—	—	—	—	—	4,855	4,855
Acquisition of non-controlling interests	—	—	—	—	—	—	—	(4,000)	(4,000)
At June 30, 2010	**1,253,478**	**12,210**	**8,271**	**16,661**	**1,653**	**1,426,080**	**2,718,353**	**877**	**2,719,230**

SINO-FOREST CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
[Expressed in thousands of United States dollars] [unaudited]

		For the three months ended June 30,		For the six months ended June 30,	
		2011	2010	**2011**	2010
	Notes	**$**	$	**$**	$
OPERATING ACTIVITIES					
Profit before tax from continuing operations		**459,702**	210,858	**457,104**	238,027
Loss before tax from discontinued operations		**—**	(8)	**—**	(161)
Profit before tax		**459,702**	210,850	**457,104**	237,866
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and amortization		**3,451**	2,556	**6,864**	4,750
Share-based compensation		**882**	536	**1,458**	1,187
Gain on change in fair value of financial instruments		**(469,508)**	(150,066)	**(416,468)**	(128,948)
Gain on changes in fair value of timber holdings less estimated point-of-sale costs	10	**(4,892)**	(1,296)	**(15,281)**	(11,714)
Unrealized exchange losses		**5,390**	2,538	**7,200**	1,869
Finance income		**(4,563)**	(5,515)	**(6,111)**	(8,940)
Finance costs		**45,610**	34,317	**90,027**	64,898
Other		**472**	(118)	**1,736**	1,413
		36,544	93,802	**126,529**	162,381
Working capital adjustments:					
Decrease (increase) in trade and other receivables		**26,531**	(44,076)	**268,045**	(34,226)
(Increase) decrease in prepayments		**(10,960)**	5,146	**(35,020)**	(4,836)
Increase in inventories		**(11,823)**	(82)	**(11,432)**	(15,163)
Increase in other assets		**—**	—	**(25,800)**	—
Decrease (increase) in non-current trade receivables		**1,116**	(1,822)	**1,391**	(1,690)
Increase (decrease) in trade and other payables		**38,174**	(2,609)	**1,883**	(62,190)
		79,582	50,359	**325,596**	44,276
Interest received		**1,322**	1,429	**2,967**	2,429
Income tax paid		**(1,156)**	(458)	**(1,405)**	(670)
Cash flows from operating activities before movement of timber holdings, measured at cost		**79,748**	51,330	**327,158**	46,035
Net increase in timber holdings, measured at cost		**(170,070)**	(113,770)	**(539,017)**	(230,455)
Net cash flows used in operating activities		**(90,322)**	(62,440)	**(211,859)**	(184,420)

SINO-FOREST CORPORATION
Condensed Interim Consolidated Statements of Cash Flows (cont'd)

[Expressed in thousands of United States dollars] [unaudited]

		For the three months ended June 30,		For the six months ended June 30,	
		2011	2010	**2011**	2010
	Notes	**$**	$	**$**	$
INVESTING ACTIVITIES					
Net increase in timber holdings, measured at fair value		**(5,418)**	(9,411)	**(5,149)**	(4,322)
Purchase of property, plant and equipment		**(5,341)**	(3,290)	**(8,515)**	(12,094)
Addition of investment properties		**(29)**	(379)	**(29)**	(622)
Payment for other assets		**(13,817)**	(521)	**(16,549)**	(690)
Payment for prepaid lease payment		**(5,871)**	(1,621)	**(7,486)**	(1,689)
Payment for intangible assets		**(320)**	—	**(5,320)**	—
Proceeds from disposal of property, plant and equipment		**23**	96	**103**	133
Refunds of other non-current financial assets		**1,000**	—	**1,000**	—
Decrease of non-pledged short-term deposits		**12,351**	731	**11,670**	7,920
Acquisition of subsidiaries, net of cash acquired		**(149)**	—	**(149)**	5,638
Net cash flows used in investing activities		**(17,571)**	(14,395)	**(30,424)**	(5,726)
FINANCING ACTIVITIES					
Proceeds from interest-bearing loans and borrowings		**106,159**	97,297	**225,462**	189,901
Repayment of interest-bearing loans and borrowings		**(145,130)**	(69,145)	**(264,987)**	(142,023)
Payment of transaction cost of issue of shares		—	(411)	—	(411)
Proceeds from exercise of share options		**—**	3,014	**—**	4,896
Proceeds from exercise of share options of a subsidiary		**103**	—	**446**	—
Payment of deferred financing costs		—	—	—	(5,893)
Interest paid		**(31,218)**	(11,255)	**(65,914)**	(36,048)
Increase in pledged short-term deposits		**(16,146)**	(311)	**(16,356)**	(174)
Net cash flows (used in) from financing activities		**(86,232)**	19,189	**(121,349)**	10,248
Net decrease in cash and cash equivalents		**(194,125)**	(57,646)	**(363,632)**	(179,898)
Net foreign exchange difference		**892**	5	**1,928**	264
Cash and cash equivalents, beginning of period		**1,054,881**	980,373	**1,223,352**	1,102,366
Cash and cash equivalents, end of period		**861,648**	922,732	**861,648**	922,732

Notes to the condensed interim consolidated financial statements
(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

1. Corporate information

The Company is a corporation continued under the *Canada Business Corporations Act* whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, Canada. The principal activities of the Company are described in note 5.

2.1 Basis of preparation

Financial Statements

The accompanying unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") have not been reviewed by the Company's external auditors.

On June 2, 2011, Muddy Waters, LLC issued a report (the "Report") containing various allegations regarding the Company, its assets, operations and financial results. As a result of the Report, on June 2, 2011, the Board of Directors of the Company appointed a committee of independent directors (the "Independent Committee") to thoroughly examine and review the allegations contained in the Report, and report back to the Board of Directors. The Independent Committee has retained independent legal counsel in Canada, Hong Kong and mainland China. The Independent Committee is also using the services of independent accounting firm PricewaterhouseCoopers and affiliates ("PwC") to assist with the examination. PwC is highly familiar with the forestry industry and with the business environment in China.

The Company's external auditors were initially engaged to conduct a review of the interim financial statements for the three months ended March 31, 2011 in accordance with Canadian standards for the auditor review of interim financial statements. The Company's auditors have advised that they are unable to complete a review of the Interim Financial Statements until the completion of the examination and review by the Independent Committee and the auditors' consideration of the results thereof.

The Board of Directors and management believe that, based on information currently available to them, the Interim Financial Statements were compiled in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and the requirements of IFRS 1 *First Time Adoption of International Financial Reporting Standards* and fairly depict the financial condition and results of operations of the Company. However, in the event that the allegations set forth in the Report prove to be accurate, in whole or in part, the information set forth in the Interim Financial Statements may differ materially and the Interim Financial Statements could be subject to restatement. As a result, readers should exercise caution in relying on such financial statements.

The Interim Financial Statements are presented in United States dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and IFRS 1, *First-time adoption of IFRS* (collectively "IFRS 1") as issued by the International Accounting Standards Board ("IASB"), using the same accounting policies and methods of computations the Company expects to adopt in its consolidated financial statements as at and for the financial year ending December 31, 2011 and as followed in the preparation of the interim condense consolidated financial statements for the three months ended March 31, 2011. In addition, the interim condensed consolidated financial statements for the three months ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP. Accordingly, these Interim Financial Statements should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim condensed consolidated financial statements for the three months ended March 31, 2011.

IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS to make an explicit and unreserved statement of compliance with IFRS. The Company will make this statement when it issues the annual financial statements for the year ending December 31, 2011.

Note 19 sets out information on the impact of the transition from Canadian GAAP to IFRS.

Basis of consolidation

The Interim Financial Statements comprise the financial statements of Sino-Forest Corporation and its subsidiaries as at June 30, 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.2 Areas involving significant judgments, estimates and assumptions

Preparing the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management continually evaluates these judgments, estimates and assumptions based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include the provision and contingency for tax-related liabilities, discussed in note 18. They also include, but are not limited to, the following:

Revenue recognition of plantation fibre

The Company sells standing timber at various stages of maturity to domestic wood dealers from its tree plantations, and this represents a significant portion of consolidated revenue. The timing of recognition of revenue from plantation fibre sales depends on the terms and conditions of our contractual arrangements with customers. A future change to the typical contractual arrangements for timber sales could materially impact the timing and manner in which the Company recognizes revenue.

Valuation of timber holdings

The Company measures planted plantations at initial recognition and at the end of each reporting period at fair value less costs to sell, by referring to valuations using a discounted cash flow model, for which it engages an independent consultant. If management's best estimate of key assumptions were to change significantly and the associated estimated future cash flows were to materially decrease, the fair value of timber holdings could potentially be reduced, generating a material loss.

Impairment of property, plant and equipment, investment properties, intangible assets and goodwill

The Company evaluates the recoverability of the carrying value of property, plant and equipment, investment properties, intangible assets and goodwill (or the cash-generating units to which they belong) whenever indicators of impairment exist. Estimates related to impairment assessments are subject to significant measurement uncertainty and are susceptible to change based on future plans and events. Any resulting impairment loss could have a material impact on the amounts reported for property, plant and equipment, investment properties, intangible assets and goodwill in the statement of financial position.

Valuation of embedded derivatives

The Company's 2013 convertible notes in the aggregate principal amount of $345,000,000 (the "2013 Convertible Notes") and 2016 convertible notes in the aggregate principal amount of $460,000,000 (the "2016 Convertible Notes") (collectively, the "Convertible Notes") include an embedded derivative liability, measured separately at fair value at the end of each reporting period, with changes in fair value recognized in the income statement. The liability is measured using a Black-Scholes valuation model, incorporating inputs for factors which are by their nature unpredictable, and the resulting valuation of the embedded derivative will be inherently volatile. Changes in the amounts of the inputs and in the operation of the valuation model could materially increase or decrease the carrying amount of the embedded derivative liability in future periods. In particular, changes in the Company's share price will have a significant effect on the measurement of fair value, with an increasing share price generally resulting in a measurement loss and a decreasing share price generally resulting in a measurement gain.

Business acquisitions

There is significant estimation and judgment in the recording of business acquisitions. This estimation and judgment includes the determination of the purchase price and the date of the business combination, and the allocation of the purchase price among the fair values of assets acquired and liabilities assumed. The Company frequently obtains the assistance of third parties in the determination of fair values of forestry and intangible assets.

As at June 30, 2011, the Company has completed the allocation of the fair values of the identifiable assets and liabilities for the acquisition of Mandra Forestry Holdings Limited. As part of the fair value allocation, the Company has requested a valuation by an independent valuation consultant to assist in determining the fair values of the assets and liabilities acquired. The final report of the consultant has not yet been made available to the Company and the Company is relying on preliminary estimates of value provided from the consultant as at the acquisition date. Significant risk exists that the values used by the Company may differ from those calculated by the independent valuation consultant. Any material differences between those amounts used by management and those calculated by the independent valuation consultant will be adjusted in these financial statements as the information becomes available to the Company.

2.3 Future accounting standards

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued certain new standards, interpretations, amendments and improvements to existing standards, mandatory for future accounting periods. The most significant of these are as follows, and are all effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted:

The IASB issued IFRS 9, *Financial Instruments* in November 2009 as the first step in its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*; in particular, it introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 before its effective date to add new requirements for classifying and measuring financial liabilities, derecognizing financial instruments, impairment and hedge accounting. The IASB has proposed to adjust the effective date of IFRS 9 to January 1, 2015.

IFRS 10, 11, 12 and 13 were all issued in May 2011. IFRS 10 *Consolidated Financial Statements* replaces the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation — Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. IFRS 11 *Joint Arrangements* introduces new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by using proportionate consolidation. IFRS 12 *Disclosure of Interests in Other Entities* requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13 *Fair Value Measurement* replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

In June 2011, the IASB amended IAS 1 *Presentation of financial statements* ("IAS 1") to require presenting items in other comprehensive income in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or as two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

The Company has not yet determined the impact of these standards and amendments on its financial statements.

3. Seasonality of operations

The quarterly results are not necessarily indicative of results to be expected for the entire year. Revenue for the second quarter of the year traditionally represents approximately 20% to 25% of the entire year. This reflects the preference of timber companies to take advantage of the peak growing seasons in the spring and summer before harvesting the trees, and the difficulty in the logging and hauling of timber during the rainy season in the first half of the year.

4. Dilution of Greenheart Group

During the six months ended June 30, 2011, Greenheart Group issued approximately 98,575,000 ordinary shares under its stock-based compensation plan and acquisition of non-controlling interests, resulting in an increase of the Company's interest in Greenheart Group from 58.6% to 63.6%. The Company recognized a debit of $6,476,000 in retained earnings, reflecting the difference between the amount by which non-controlling interests were adjusted and the fair value of the consideration received.

5. Segment information

The Company's operating businesses are structured and managed separately, according to the nature of their operations. Each of the Company's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

Summary details of the operating segments are as follows:

(a) the plantation fibre segment engages in the sales of standing timber and logs;
(b) the other fibre segment engages in the sales of domestic and imported wood products;
(c) the manufacturing segment engages in the sales of manufacturing operation's products and other;
(d) the Greenheart segment engages in the ownership of concession rights or plantation in Suriname and New Zealand and the sales and export of harvested logs and other wood products.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Corporate assets, corporate income and costs are included in the Company's corporate segment to differentiate its risks and returns from other business segments.

Notes to the condensed interim consolidated financial statements

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

Six months ended June 30, 2011
By Operating Segment

	Plantation Fibre $	Other Fibre $	Manufacturing and other $	Greenheart $	Corporate $	Adjustments and eliminations $	Total $
Revenue							
External customer	410,341	202,295	30,942	12,730	—	—	656,308
Inter-segment	1,005	1,363	153	9,384	—	(11,905)[1]	—
Total revenue	**411,346**	**203,658**	**31,095**	**22,114**	—	**(11,905)**	**656,308**
Depreciation and amortization	1,000	245	3,525	1,004	1,090	—	6,864
Component of timber holdings from cost of sales	231,153	—	—	—	—	—	231,153
Finance income	3,370	99	302	298	2,042	—	6,111
Finance cost	863	819	947	1,361	86,037	—	90,027
Gain on changes in fair value of timber holdings	10,754	—	—	4,527	—	—	15,281
Gain on changes in fair value of financial instruments	—	—	—	—	416,468	—	416,468
Income tax expense (recovery)	30,321	781	(278)	1,272	167	—	32,263
Results							
Segment profit (loss)	140,121	3,977	(7,225)	(291)	300,164	(11,905)	424,841

1. Inter-segment revenues are eliminated on consolidation.

Notes to the condensed interim consolidated financial statements

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

Six months ended June 30, 2010

By Operating Segment

	Plantation Fibre $	Other Fibre $	Manufacturing and other $	Greenheart $	Corporate $	Adjustments and eliminations $	Total $
Revenue							
External customer	337,698	183,351	28,553	—	—	—	549,602
Inter-segment	486	1,409	—	—	—	(1,895)[1]	—
Total revenue	**338,184**	**184,760**	**28,553**	**—**	**—**	**(1,895)**	**549,602**
Depreciation and amortization	855	154	2,791	—	950	—	4,750
Component of timber holdings from cost of sales	147,202	—	—	—	—	—	147,202
Finance income	1,990	23	398	—	6,529	—	8,940
Finance cost	575	1,602	529	—	62,192	—	64,898
Gain on changes in fair value of timber holdings	11,714	—	—	—	—	—	11,714
Gain on changes in fair value of financial instruments	—	—	—	—	128,948	—	128,948
Income tax expense	19,353	2,164	547	—	38	—	22,102
Results							
Segment profit (loss)	165,770	3,404	(6,513)	—	55,159	(1,895)	215,925

1. Inter-segment revenues are eliminated on consolidation.

	Plantation Fibre $	Other Fibre $	Manufacturing and other $	Greenheart $	Corporate $	Adjustments and eliminations $	Total $
Segment assets							
At June 30, 2011	**4,325,216**	**583,726**	**298,953**	**331,778**	**362,550**	—	**5,902,223**
At December 31, 2010	3,876,693	379,684	245,590	333,162	961,827	—	5,796,956
At January 1, 2010	2,539,619	212,861	190,340	—	1,074,517	—	4,017,337

Notes to the condensed interim consolidated financial statements

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

6. Income tax

The major components of income tax expense in the interim consolidated income statement are:

	Notes	Three months ended June 30, 2011 $	Three months ended June 30, 2010 $	Six months ended June 30, 2011 $	Six months ended June 30, 2010 $
Current income tax					
Current income tax expense	(a)	**13,517**	12,106	**32,425**	22,493
Deferred income tax					
Origination and reversal of temporary differences		**(1,040)**	(663)	**(162)**	109
Benefit arising from previously unrecognized tax assets		—	—	—	(500)
Change of tax rates and imposition of new legislation		—	—	—	—
Income tax expense reported in the income statement		**12,477**	11,443	**32,263**	22,102
Income tax recognized in other comprehensive income		—	—	—	—
		12,477	11,443	**32,263**	22,102

The Company's effective tax rate is different from the Company's domestic statutory income tax rate due to the differences set out below:

	Notes	Three months ended June 30, 2011 $	Three months ended June 30, 2010 $	Six months ended June 30, 2011 $	Six months ended June 30, 2010 $
Profit before tax from continuing operations		**459,702**	210,858	**457,104**	238,027
Statutory tax rate in Canada		**28.25%**	31.00%	**28.25%**	31.00%
Expected income tax expense		**129,866**	65,366	**129,132**	73,788
Recovery relating to previously unrecognized tax losses		—	—	—	(500)
Expenses (income) not deductible (taxable) for tax purposes: Loss (gain) on changes in fair value of financial instruments	(b)	**(132,636)**	(46,521)	**(117,652)**	(39,974)
Tax losses for which no deferred income tax asset was recognized		**24,650**	20,292	**45,602**	35,433
Income tax at lower rates in foreign jurisdiction	(c)	**(8,046)**	(25,313)	**(23,880)**	(45,109)
Other		**(1,357)**	(2,381)	**(939)**	(1,536)
Income tax expense reported in the income statement		**12,477**	11,443	**32,263**	22,102
Effective rate	(b)	**2.7%**	5.4%	**7.1%**	9.3%
Income tax expense from continuing operations		**12,477**	11,443	**32,263**	22,102
Income tax attributable to discontinued operations		**104**	447	**(173)**	889
		12,581	11,890	**32,090**	22,991

(a) Current income tax includes accrual for tax contingency related to PRC tax including surtax on PRC income as outlined in note 18.

(b) The effective rate calculated above is distorted by the fact that the amount of "profit before tax from continuing operations" included the "gain on changes in fair value of financial instruments" which does not affect the Company's calculation of taxable income and the amount of tax expense. If the "gain on changes in fair value of financial instruments" were excluded from the calculation of "profit before tax from continuing operations", the effective tax rates for the six months ended June 30, 2011 and 2010 would be 32.8% and 26.1%, respectively.

Under IFRS, the Company has adopted the use of the probability-weighted average method in determining the accrual for tax contingency related to PRC tax including surtax on PRC income as outlined in note 18. The probability-weighted average method considers various scenarios under which the Company's tax liabilities are determined. The increase in effective tax rate is mainly due to an increase in the probability assigned to the scenarios under which the same deemed profit (i.e. 15%) is used in all provinces in the PRC in which the Company does business for years prior to 2010 and a decrease in the probability assigned to the scenario under which different deemed profit rates (10% to 15%) are used in different provinces (see note 18).

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

(c) See note 18 as the lower rate relates to the use of BVI Subsidiaries.

As at June 30, 2011, the Company has income tax losses of approximately $184,845,000 based on US dollar tax reporting for which no accounting benefit has been recognized and which can be applied against future years' taxable income in Canada.

The losses will expire as follows:

	$
Year of Expiry	
2014	14,406
2015	21,907
2026	16,743
2028	2,372
2029	21,834
2030	46,895
2031	60,688
	184,845

In addition, as at June 30, 2011, the Company's PRC WFOEs (Wholly foreign-owned enterprise) and CJVs (Cooperative joint venture) have incurred tax losses on a legal entity basis in aggregate of approximately $92,980,000 [December 31, 2010 – $67,417,000]. Losses incurred by the PRC WFOEs and CJVs can be carried forward for a maximum of five years. As of June 30, 2011, benefits in the amount of $3,500,000 have been recognized as deferred tax assets from the tax losses incurred by the PRC WFOEs and CJVs.

The Company's balances of recognized deferred tax assets and liabilities are:

	June 30, 2011 $	December 31, 2010 $
Deferred income tax asset	**3,948**	3,500
Deferred income tax liability	**(49,593)**	(48,934)
Total net deferred income tax liability	**(45,645)**	(45,434)

Deferred income tax liabilities as at June 30, 2011 and December 31, 2010 relate to the following:

	June 30, 2011 $	December 31, 2010 $
Timber holdings, measured at fair value	**(15,403)**	(15,514)
Future tax liability on fair market value increments on acquisitions	**(34,190)**	(33,420)
Tax losses carried forward	**3,500**	3,500
Inventories	**448**	—
Net deferred income tax liability	**(45,645)**	(45,434)

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

7. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period/year attributable to equity holders of the parent by the weighted average number of common shares outstanding during the period/year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the parent (after adjusting for interest on the Convertible Notes, if assessed as dilutive) by the weighted average number of common shares outstanding during the period/year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

The following reflects the income and common shares data used in the basic and diluted earnings (loss) per share computations:

	Three months ended June 30,		**Six months ended June 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net profit attributable to equity holders of the parent from continuing operations	**447,167**	199,391	**426,190**	215,903
(Loss) profit attributable to equity holders of the parent from discontinued operations	**(104)**	(455)	**173**	(1,050)
Net profit attributable to equity holders of the parent for basic earnings	**447,063**	198,936	**426,363**	214,853
Interest on 2013 Convertible Notes	**10,207**	9,434	**20,111**	—
Interest on 2016 Convertible Notes	**10,061**	9,421	**19,960**	18,703
Net profit attributable to equity holders of the parent adjusted for the effect of dilution	**467,331**	217,791	**466,434**	233,556

	Three months ended June 30,		**Six months ended June 30,**	
	2011	2010	**2011**	2010
	’000	’000	**’000**	’000
Weighted average number of common shares for basic earnings (loss) per share	**246,002**	243,590	**245,872**	242,894
Effect of dilution:				
- Share options	**1,008**	1,219	**1,249**	1,290
- 2013 Convertible Notes	**17,008**	17,008	**17,008**	—
- 2016 Convertible Notes	**21,740**	21,740	**21,740**	21,740
Weighted average number of common shares adjusted for the effect of dilution	**285,758**	283,557	**285,869**	265,924

In respect of the diluted earnings (loss) per share amounts, the impact of the Company’s outstanding 2013 Convertible Notes is not adjusted in the calculation of weighted number of common shares for the effect of dilution and net profit attributable to equity holders of the parent as they are assessed as anti-dilutive for the six months ended June 30, 2010

To calculate (loss) earnings per share amounts for the discontinued operation, the weighted average number of common shares for both basic and diluted amounts is as per the table above. The following table provides the (loss) earnings amount used:

	Three months ended June 30,		**Six months ended June 30,**	
	2011	2010	**2011**	2010
	$	$	**$**	$
Net (loss) profit from discontinued operation for basic and diluted (loss) earnings per share calculations	**(104)**	(455)	**173**	(1,050)

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

8. Trade and other receivables (current)

	June 30, 2011 $	December 31, 2010 $
Trade receivables	**390,041**	636,626
Other receivables	**37,979**	62,767
	428,020	699,393

The Company reviews outstanding trade receivable and records an allowance for doubtful accounts when the collections are in doubt. Trade receivables are substantially from companies located in the PRC and are denominated in Renminbi. The Renminbi is not freely remittable out of the PRC and its conversion into other currencies is restricted under the current PRC foreign exchange regulations. As a result, the majority of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the Company's amounts payable on standing timber and other liabilities denominated in Renminbi.

9. Prepayments and other assets

	Notes	**June 30, 2011 $**	December 31, 2010 $
Current			
Prepaid lease payments	(a)	**6,508**	5,861
Wood logs deposit		**75,707**	59,593
Wood-based products deposit		**3,144**	740
Others		**12,272**	1,945
		97,631	68,139
Non-current			
Prepaid lease payments	(a)	**94,757**	90,215
Wood logs deposit		**48,300**	22,500
Prepaid plantation costs		**94,432**	80,361
Deposit for acquisition of property, plant and equipment		**2,387**	2,283
Others		**27,052**	5,096
		266,928	200,455

(a) These represent amounts prepaid for plantation and factory land use rights in the PRC.

10. Timber holdings

10.1 The Company's timber holdings consist of the following:

	June 30, 2011 $	December 31, 2010 $
Timber holdings measured at lower of cost and net realizable value	**3,483,676**	2,888,556
Timber holdings measured at fair value less estimated point-of-sale cost	**262,036**	249,090
	3,745,712	3,137,646

The amount of timber holdings stated at lower of cost and net realizable value recognized as expenses and included in cost of sales for the three months and six months ended June 30, 2011 was $117,534,000 [three months ended June 30, 2010 – $68,535,000] and $221,009,000 [six months ended June 30, 2010 – $133,324,000], respectively.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

10.2 Timber holdings measured at fair value less estimated point-of-sale cost:

	Planted Plantations $	Nursery $	Total $
At January 1, 2010	160,983	7,007	167,990
Additions	27,806	6,015	33,821
Acquisition of subsidiaries	58,860	—	58,860
Harvested as agricultural produce	(132)	—	(132)
Component of timber holdings from cost of sales	(44,924)	(4,650)	(49,574)
Gains arising from changes in fair value less estimated point-of-sale cost	32,324	—	32,324
Exchange adjustment	3,125	2,676	5,801
At December 31, 2010	238,042	11,048	249,090
Additions	12,500	4,548	17,048
Harvested as agricultural produce	(2,330)	—	(2,330)
Component of timber holdings from cost of sales	(20,023)	(1,068)	(21,091)
Gains arising from changes in fair value less estimated point-of-sale cost	15,281	—	15,281
Exchange adjustment	3,759	279	4,038
At June 30, 2011	**247,229**	**14,807**	**262,036**

The fair values at the end of each period represent the net present value of the cash flows expected to arise from the management and harvest of the existing plantations over their current rotation, after applying a pre-tax discount rate of 11.5%. The valuation methodology also refers to market transactions in other similar properties.

In the opinion of management, the fair value of plantations of age of two years or below and the fair value of nursery approximate cost at the end of each period.

During the three months ended June 30, 2011, the Company sold approximately 3,223 hectares [2010 – 1,978 hectares] of planted plantations, with a fair value less estimated point-of-sale costs of $15,414,000 [2010 – $7,004,000].

During the six months ended June 30, 2011, the Company sold approximately 5,123 hectares [2010 – 4,227 hectares] of planted plantations, with a fair value less estimated point-of-sale costs of $22,353,000 [2010 – $17,879,000].

During the three months and six months ended June 30, 2011, the fair value less estimated point-of-sale costs of nursery sold was approximately $877,000 [three months ended June 30, 2010 – $446,000] and $1,068,000 [six months ended June 30, 2010 – $465,000].

The carrying amount of timber holdings pledged as collateral for the Company's interest-bearing loans and borrowings was $36,541,000, $38,758,000 and $51,611,000 as at January 1, 2010, December 31, 2010 and June 30, 2011, respectively.

11. Inventories

The amount of inventories recognized as an expense and included in cost of sales for the three months and six months ended June 30, 2011 was $113,049,000 [three months ended June 30, 2010 – $109,577,000] and $225,957,000 [six months ended June 30, 2010 – $197,113,000], respectively.

The amount charged to the consolidated income statement and included in cost of sales for the three months and six months ended June 30, 2011 for write-downs of inventories was $214,000 [three months ended June 30, 2010 – reversal of write-down of $619,000] and $130,000 [six months ended June 30, 2010 – reversal of write-down of $988,000], respectively.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

12. Financial assets and financial liabilities

12.1 Other financial assets

	June 30, 2011 $	December 31, 2010 $
Loans and receivables		
Trade receivables, non-current	**4,353**	5,464
Other receivables, non-current	**4,719**	5,689
Total	**9,072**	11,153

12.2 Derivative financial instruments

	June 30, 2011 $	December 31, 2010 $
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedges		
Embedded derivatives of Convertible Notes	**31,858**	448,326
Total derivative financial instruments at fair value through profit or loss	**31,858**	448,326

12.3 Interest-bearing loans and borrowings

	Notes	**June 30, 2011 $**	December 31, 2010 $
Current			
Trust receipt loans	(a)	**47,813**	106,865
Bank loans	(a)	**69,018**	47,094
2011 Senior Notes		**87,670**	87,670
		204,501	241,629
Non-current			
2013 Convertible Notes		**290,611**	279,711
2014 Senior Notes		**399,518**	399,518
2015 Convertible Notes		**25,066**	24,334
2016 Convertible Notes		**291,093**	281,080
2017 Senior Notes		**600,000**	600,000
Unamortized deferred financing costs		**(39,477)**	(43,550)
		1,566,811	1,541,093

(a) Certain of the Company's banking facilities are collateralized by:

(i) charges over certain of the Company's prepaid land leases, buildings and timber holdings measured at fair value which have an aggregate net book value at June 30, 2011 of $62,661,000 [December 31, 2010 – $38,758,000]; and

(ii) certain short-term deposits at June 30, 2011 of $29,381,000 [December 31, 2010 – $12,996,000].

(b) The terms of the Company's interest-bearing loans and borrowings were disclosed in note 12 to the Company's annual financial statements for the year ended December 31, 2010. As noted therein, the terms of the Convertible Notes provide that they are convertible into common shares of the Company, at the option of the holder, at a defined conversion rate; however, the Company may elect to deliver, in lieu of its common shares, cash or a combination of cash and common shares. The Company's option to deliver cash on the conversion date in lieu of common shares gives rise to an embedded derivative financial liability, measured separately at fair value through profit or loss because it is not closely related to the underlying Convertible Notes. On initial recognition, for each series of the Convertible Notes, the Company measured the derivative financial liability at fair value, and measured the carrying value of the underlying Convertible Notes at the difference between this amount and the proceeds of issue. Subsequent to initial recognition, the Company measures the derivative financial liability at fair value at each reporting date, recognizing changes in the fair value in the income statement, and accretes the carrying value of the underlying Convertible Notes to their face value using the effective interest method.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

The gain on changes in fair value of the derivative liability for the three months and six months ended June 30, 2011 is $469,508,000 [three months ended June 30, 2010 – $153,344,000] and $416,468,000 [six months ended June 30, 2010 – $132,935,000], respectively.

The significant assumptions used in applying the Black-Scholes valuation model are as follows:

2016 Convertible Notes	June 30, 2011	December 31, 2010	June 30, 2010
Date of expiry	December 15, 2016	December 15, 2016	December 15, 2016
Dividend Yield	0.0%	0.0%	0.0%
Volatility	80.4%	55.6%	58.8%
Risk-free interest rate	2.68%	2.86%	2.85%
Expected life (in years)	5.46	5.96	6.46

2013 Convertible Notes	June 30, 2011	December 31, 2010	June 30, 2010
Date of expiry	August 1, 2013	August 1, 2013	August 1, 2013
Dividend Yield	0.0%	0.0%	0.0%
Volatility	101.9%	59.5%	61.2%
Risk-free interest rate	1.57%	1.70%	2.28%
Expected life (in years)	2.08	2.58	3.08

12.4 The following is an analysis of the contractual maturities of the Company's financial liabilities as at June 30, 2011:

	Payment Due by Period				
	Within one year $	In the second and third year $	In the fourth and fifth year $	After the fifth year $	Total $
Interest-bearing loans and borrowings	**204,501**	**345,000**	**424,517**	**1,060,000**	**2,034,018**
Trade and other payables [1]	**274,059**	—	—	—	**274,059**
Interest obligations of non-current interest bearing loans and borrowings	**117,544**	**217,235**	**118,698**	**58,023**	**511,500**
	596,104	**562,235**	**543,215**	**1,118,023**	**2,819,577**

(1) Excluding the tax provision for tax related contingency.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

13. Property, plant and equipment, intangible assets and goodwill

	Property, plant and equipment $	Intangible assets $	Goodwill $
Opening net book value at January 1, 2010	47,299	669	181
Additions	31,161	—	—
Acquisition of subsidiaries	9,720	187,971	75,641
Disposals	(1,614)	—	—
Depreciation and amortization	(6,617)	(2,976)	—
Change in fair value	640	—	—
Exchange adjustment	1,936	1,119	1,612
Closing net book value at December 31, 2010	82,525	186,783	77,434
Additions	10,007	8,226	—
Acquisition of subsidiaries	—	—	167
Disposals	(439)	(118)	—
Depreciation and amortization	(4,285)	(1,830)	—
Exchange adjustment	2,316	816	1,240
Closing net book value at June 30, 2011	**90,124**	**193,877**	**78,841**

14. Issued capital

	Six months ended June 30, 2011		Twelve months ended December 31, 2010	
	Number of Common Shares	**Issued Capital $**	Number of Common Shares	Issued Capital $
Authorized				
Unlimited common shares, without par value				
Unlimited preference shares, issuable in series, without par value				
Issued				
Balance, beginning of period/year	**245,740,889**	**1,261,086**	242,129,062	1,213,483
Issue of shares	**355,037**	**6,936**	2,138,474	35,501
Exercise of options	—	—	1,473,353	8,353
Transfer from contributed surplus	—	—	—	3,749
Balance, end of period/year	**246,095,926**	**1,268,022**	245,740,889	1,261,086

During the six months ended June 30, 2011, no common shares were issued upon the exercise of stock options.

As at June 30, 2011, options to purchase 610,196 common shares remain available to be granted.

During the six months ended June 30, 2011, options to acquire up to 180,702 [2010 – Nil] common shares were granted to executives and employees at an exercise price of Cdn.$21.67. The options granted will vest over three years and expire in five years. The total fair value of the stock options granted was estimated to be $1,838,000 on the respective dates of grant using the Black Scholes option-pricing model with the following input:

	March 17, 2011
Number of options (in number)	**180,702**
Exercise price (in Cdn.$)	**$21.67**
Date of expiry	**March 17, 2016**
Dividend Yield	**0.0%**
Volatility	**57.0%, 55.8%, 56.6%**
Risk-free interest rate	**2.36%**
Option's expected life (in years)	**3.85, 4.15, 4.58**

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

For the six months ended June 30, 2011, a credit of $443,000 was recorded in selling, general and administrative expenses as compensation expense for the re-measurement of Deferred Stock Units ("DSUs") (including a credit of $63,000 related to the revaluation to the market value of the underlying shares as at June 30, 2010). As at June 30, 2011, there were an aggregate of 28,932 DSUs with a market value of $95,000 recognized and outstanding.

15. Related party disclosures

15.1 Transactions with related parties

During the period, the Company entered into transactions with related parties as follows:

[a] Pursuant to the respective service agreements, the Company pays the salaries of certain executive officers in the form of consultancy fees to companies controlled by such executive officers. The consultancy fees incurred for the three months and six months ended June 30, 2011 amounted to $153,000 [three months ended June 30, 2010 – $152,000] and $305,000 [six months ended June 30, 2010 – $305,000], respectively and were recorded at an exchange amount as agreed by the related parties.

[b] In addition, as at June 30, 2011, no amount [December 31, 2010 – $7,632,000] was payable for consultancy fees to these related companies.

15.2 Compensation of key management personnel of the Company

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Short-term employee benefits	**3,509**	3,196	**6,909**	6,221
Equity compensation benefits	**—**	—	**1,478**	—
	3,509	3,196	**8,387**	6,221

16. Commitments

Operating lease commitments – Company as lessee

The Company has entered into commercial leases on certain land and buildings. These leases have an average life of between 1 and 45 years with a renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	June 30, 2011	December 31, 2010
	$	$
Within one year	**18,474**	28,491
After one year but not more than five years	**61,034**	38,045
More than five years	**173,704**	177,260
	253,212	243,796

Operating lease commitments – Company as lessor

The Company has entered into commercial property leases on its investment property portfolio, consisting of the Company's surplus office and land and buildings. These non-cancellable leases have remaining terms of between 1 and 3 years.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	June 30, 2011 $	December 31, 2010 $
Within one year	**983**	1,059
After one year but not more than five years	**1,728**	1,042
More than five years	**—**	—
	2,711	2,101

Capital commitments

Capital commitments outstanding at the end of the reporting period and not provided for in the financial statements were as follows:

	June 30, 2011 $	December 31, 2010 $
Contracted for	**292,668**	146,825
Authorized but not contracted for	**—**	—
	292,668	146,825

The capital commitments contracted for were mainly in respect to timber holdings, buildings and plant and machinery.

Capital contributions

As at June 30, 2011, the Company has capital commitments in respect of capital contributions to our WFOEs of $68,110,000 [December 31, 2010 – $51,600,000].

Purchase commitments

As at June 30, 2011, the Company has purchase commitments mainly regarding logs of $312,455,000 [December 31, 2010 – $193,987,000].

Other commitments

Under an assignment agreement entered in May 2010, pursuant to which an agreement entered into in July 2006 to secure at least 1.5 million m^3 of wood fibre annually in Inner Mongolia up to July 2018 was assigned to the Company, the Company has acquired approximately 1,166,000 m^3 of wood fibre as at June 30, 2011.

Under an agreement entered in July 2010 to secure at least 600,000 m^3 of wood fibre annually for a period not longer than 10 years in Russia, the Company has acquired approximately 317,700 m^3 of wood fibre as at June 30, 2011.

Under master agreements entered in September and December 2006 to acquire 400,000 hectares of plantation trees over a 14-year period in Hunan, the Company has acquired approximately 226,300 hectares of plantation trees for $926,507,000 as at June 30, 2011.

Under a master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has actually acquired approximately 230,200 hectares of plantation trees for $1,193,459,000 as at June 30, 2011.

Under a master agreement entered in December 2007 to acquire 150,000 hectares of plantation trees over a 5-year period in Guangxi, the Company has acquired approximately 137,100 hectares of plantation trees for $690,598,000 as at June 30, 2011.

Under a master agreement entered in August 2008 to acquire 200,000 hectares of plantation trees over a 10-year period in Fujian, the Company has not acquired any hectares of plantation trees as at June 30, 2011.

Under a master agreement entered in June 2009 to acquire between 150,000 and 300,000 hectares of plantation trees over a 3-year period in Jiangxi, the Company has acquired approximately 69,100 hectares of plantation trees for $309,614,000 as at June 30, 2011.

Under a master agreement entered in January 2010 to acquire 150,000 hectares of plantation trees over a 3-year period in Guizhou, the Company has acquired approximately 38,200 hectares of plantation trees for $201,438,000 as at June 30, 2011.

Under a master agreement entered in May 2011 to acquire 200,000 hectares of plantation trees over a 10-year period in Shaanxi, the Company has not acquired any hectares of plantation trees as at June 30, 2011.

Under a master agreement entered in May 2011 to acquire 66,667 hectares of plantation trees over a 10-year period in Yunnan, the Company has not acquired any hectares of plantation trees as at June 30, 2011.

17. Capital Management

The Company's objectives in managing capital are to maintain an optimal capital structure to reduce the overall cost of capital, to safeguard its ability to continue to deploy capital to pursue its strategy of growth, and to provide returns to shareholders and other stakeholders.

In the management of capital, the Company includes interest-bearing loans and borrowing (including short-term position) of $1,771,312,000 and equity attributable to equity holders of the parent of $3,444,649,000. The Board of Directors does not establish quantitative return on capital criteria for management but promotes year-over-year sustainable earnings growth targets. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Company's approach to capital management during the period.

The Company is subject to externally imposed minimum capital requirements relating to the interest-bearing loans and borrowing and exceeds the minimum requirements during the period. The Company's capital is subject to PRC foreign currency exchange controls which may limit the ability to repatriate funds. As of June 30, 2011, the Company has retained earnings of approximately $2.0 billion which may be restricted.

18. Provision and contingencies for tax related liabilities

The provision for income taxes and contingent tax related liabilities and whether tax filings are required in a particular jurisdiction is subject to a number of different factors, estimates and judgments made by management. A change in the facts or in these estimates and judgments could have a material impact on the Company's tax expense.

The Company has operations in various countries (mainly in the PRC, Canada and Hong Kong) that have different tax laws and rates and that are subject to audit by all relevant tax authorities. The effective tax rate may change from year to year based on the mix of income among the different tax jurisdictions, changes in tax laws and administrative practice in these jurisdictions, and changes in tax treaties between various tax jurisdictions in which the Company operates. It is possible that profits already taxed by one tax jurisdiction could be taxed by another tax jurisdiction or multiple jurisdictions.

In particular, the Company's principal operating subsidiaries incorporated in the British Virgin Islands (the "BVI Subsidiaries") are engaged in the sale of standing timber ("Authorized Sales Activities") in the PRC through authorized intermediaries ("AI") that are domestic enterprises of the PRC. Under the terms of the relevant sales contracts and commission agreements made with the AI (collectively, the "AI Agreements"), the AI are responsible for withholding and remitting all relevant PRC taxes that arise from the Authorized Sales Activities.

Under the current PRC laws and regulations (which came into effect in 2008) relating to PRC Enterprise Income tax ("EIT"), foreign companies deriving income from sources in the PRC are subject to EIT. For EIT payable by foreign companies not having an establishment in the PRC, the payer has the duty to withhold and pay. It is a question of fact whether the PRC tax authorities may be successful in establishing that the BVI Subsidiaries are also subject to EIT because of the Authorized Sales Activities.

Should the PRC tax authorities recover EIT, business tax and value-added tax directly from the BVI Subsidiaries, they might do so together with related tax surcharges and tax penalties on applicable income or profits of the Authorized Sales Activities for up to a period from four (current year plus three prior years) to six years (current year plus five prior years) in practice. Under prevailing PRC tax rules, the tax surcharge is calculated at 0.05% per day on the tax amount overdue while the tax penalties can range from 50% to 500% of taxes underpaid. Under the Hong Kong tax regulations, assessments are open for up to six years in practice and tax penalties can be up to triple amount of the tax underpaid.

Management has concluded that based on all available information it is appropriate to recognize in these financial statements a provision representing management's estimate, based upon a probability-weighted average, of the amounts the PRC tax authorities might seek to recover under various scenarios. In accordance with current PRC laws, regulations and practices relating to EIT, it is probable that the PRC tax authorities would compute tax on income of BVI Subsidiaries, engaged in Authorized Sales Activities in the PRC with AI, on the deemed profit percentage basis and it is probable that basis would be applied to income of the current year plus the three prior years. Applying this aforementioned basis of computation, at June 30, 2011 this provision is $204,722,000 [December 31, 2010 – $168,914,000], which amount mainly relates to the profits of the Authorized Sales Activities earned by the BVI Subsidiaries in the current six months and in the four preceding years including discontinued operations.

The PRC tax authorities issued Circular 19 in February 2010 (the "Circular") stating that the deemed profit percentage for certain activities should be a minimum of 15%. The activities subject to this minimum percentage appear to include sales of plantation fibre. The Company has been assessing the effect of the Circular on the BVI Subsidiaries and monitoring its interpretation and its application by the PRC tax authorities. Based upon the Company's analysis to date, the Company has recorded income tax based on a probability-weighted average method which considers various scenarios under which the Company's tax liabilities are determined.

Management applies significant estimates and judgment to determine the appropriate amount of tax related liabilities, and contingencies for such liabilities, to be recognized and disclosed in the financial statements respectively. The amount recognized as a provision is the best estimate of the consideration required to settle the liabilities at the end of the reporting period, calculated by weighting the possible outcomes flowing from the matters described above by their associated probabilities, taking into account the surrounding risks and uncertainties. The Company actively revisits and adjusts its measurement of this provision as it updates its analysis. Changes in the amount of the estimates could materially increase or decrease the provision for tax related liabilities and the extent of disclosures of related contingencies in a period.

19. First-time adoption of IFRS

The condensed interim consolidated financial statements for the three months ended March 31, 2011 were the Company's first financial statements prepared under IFRS ("First IFRS Interim Statements"). Note 22 to the First IFRS Interim Statements described the first-time adoption exemptions applied by the Company. The date of transition to IFRS was January 1, 2010.

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

19.1 Reconciliation of equity

The Company's equity as at June 30, 2010 can be reconciled to the amounts reported under Canadian GAAP as follows:

		June 30, 2010			
	Notes	Canadian GAAP $	IFRS Adjustments $	IFRS Reclassifications $	IFRS $
Current assets					
Cash and cash equivalents		922,732	—	—	922,732
Short-term deposits		62,821	—	—	62,821
Accounts receivable		316,758	—	(316,758)	—
Trade and other receivables		—	(5,234)	364,356	359,122
Prepayments	(b)	—	(1,500)	26,819	25,319
Timber holdings, measured at cost	(a)	—	(61,871)	2,528,649	2,466,778
Inventories	(d)	68,999	68	(9,606)	59,461
Prepaid expenses and others		70,646	—	(70,646)	—
Convertible notes/Other current financial assets		29,090	—	—	29,090
		1,471,046	(68,537)	2,522,814	3,925,323
Non-current assets					
Timber holdings	(a)	2,746,883	—	(2,746,883)	—
Timber holdings, measured at fair value	(a)	—	59,634	116,550	176,184
Property, plant and equipment	(b), (c)	93,010	942	(32,568)	61,384
Investment properties	(c)	—	—	23,310	23,310
Other non-current financial assets		—	(3,161)	66,180	63,019
Intangible assets and goodwill		8,103	88,277	167	96,547
Other assets	(b)	138,078	(54,246)	50,430	134,262
Deferred tax assets	(g)	—	3,400	—	3,400
		2,986,074	94,846	(2,522,814)	558,106
Total assets		4,457,120	26,309	—	4,483,429

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

19.1 Reconciliation of equity (cont'd)

		June 30, 2010			
	Notes	Canadian GAAP $	IFRS Adjustments $	IFRS Reclassifications $	IFRS $
Current liabilities					
Interest-bearing loans and borrowings	(e)	153,891	—	—	153,891
Trade and other payables		291,439	28,007	12,543	331,989
Income tax payable		9,011	377	—	9,388
Liabilities of discontinued operations		12,543	—	(12,543)	—
		466,884	28,384	—	495,268
Non-current liabilities					
Interest-bearing loans and borrowings	(e)	1,121,480	(125,662)	—	995,818
Derivative financial instruments	(e)	—	239,027	—	239,027
Deferred tax liability	(g)	39,108	(5,022)	—	34,086
		1,160,588	108,343	—	1,268,931
Total liabilities		1,627,472	136,727	—	1,764,199
Shareholders' equity					
Equity portion of convertible notes	(e)	158,883	(158,883)	—	—
Issued capital	(f)	1,253,561	(83)	—	1,253,478
Contributed surplus	(f)	12,392	(182)	—	12,210
Accumulated other comprehensive income		241,166	—	(241,166)	—
Statutory reserve		1,653	—	(1,653)	—
Retained earnings		1,160,759	265,321	—	1,426,080
Other reserves		—	(216,234)	242,819	26,585
Equity attributable to equity holders of parent		2,828,414	(110,061)	—	2,718,353
Non-controlling interests		1,234	(357)	—	877
Total shareholders' equity		2,829,648	(110,418)	—	2,719,230
Total liabilities and equity		4,457,120	26,309	—	4,483,429

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

19.2 Reconciliation of total comprehensive income

The Company's comprehensive income for the three months ended June 30, 2010 can be reconciled to the amounts reported under Canadian GAAP as follows:

	Notes	Canadian GAAP $	IFRS Adjustments $	IFRS Reclassifications $	IFRS $
Continuing operations					
Revenue		305,758	(7,171)	—	298,587
Cost of sales	(a)	(182,496)	(2,737)	(329)	(185,562)
Gain on changes in fair value of timber holdings less estimated point-of-sale cost	(a)	—	1,296	—	1,296
Other operating income		137	17	—	154
Selling and administrative expenses		(17,924)	(4,743)	(556)	(23,223)
Other operating expenses		—	(525)	(1,133)	(1,658)
(Loss) gain on fair value changes of financial instruments	(e)	(3,278)	153,344	—	150,066
Depreciation and amortization		(1,053)	—	1,053	—
Exchange losses		(965)	—	965	—
Finance income		3,567	1,948	—	5,515
Finance costs		(30,190)	(4,127)	—	(34,317)
Income tax expenses	(g)	(9,567)	(1,876)	—	(11,443)
Profit from continuing operations		63,989	135,426	—	199,415
Discontinued operations					
Loss after tax for the year from discontinued operations		(277)	(178)	—	(455)
Non-controlling interest		(25)	1	—	(24)
Profit for the period		63,687	135,249	—	198,936
Other comprehensive income					
Unrealized gains on financial assets designated as available-for-sale, net of tax of nil		466	—	—	466
Currency translation differences		15,225	1,054	—	16,279
		15,691	1,054	—	16,745
Total comprehensive income		79,378	136,303	—	215,681

(Tabular figures expressed in thousands of United States dollars, unless otherwise indicated)

19.3 Reconciliation of total comprehensive income

The Company's comprehensive income for the six months ended June 30, 2010 can be reconciled to the amounts reported under Canadian GAAP as follows:

	Notes	Canadian GAAP $	IFRS Adjustments $	IFRS Reclassifications $	IFRS $
Continuing operations					
Revenue		556,773	(7,171)	—	549,602
Cost of sales	(a)	(338,307)	(10,145)	(329)	(348,781)
Gain on changes in fair value of timber holdings less estimated point-of-sale cost	(a)	—	11,714	—	11,714
Other operating income		455	10	—	465
Selling and administrative expenses		(35,340)	(9,704)	(1,189)	(46,233)
Other operating expenses		—	(79)	(1,651)	(1,730)
(Loss) gain on fair value changes of financial instruments	(e)	(3,987)	132,935	—	128,948
Depreciation and amortization		(2,276)	—	2,276	—
Exchange losses		(893)	—	893	—
Finance income		6,992	1,948	—	8,940
Finance costs		(57,884)	(7,014)	—	(64,898)
Income tax expenses	(g)	(18,351)	(3,751)	—	(22,102)
Profit from continuing operations		107,182	108,743	—	215,925
Discontinued operations					
Loss after tax for the year from discontinued operations		(696)	(354)	—	(1,050)
Non-controlling interest		(1)	(21)	—	(22)
Profit for the period		106,485	108,368	—	214,853
Other comprehensive income					
Unrealized gains on financial assets designated as available-for-sale, net of tax of nil		2,005	—	—	2,005
Currency translation differences		15,013	1,648	—	16,661
		17,018	1,648	—	18,666
Total comprehensive income		123,503	110,016	—	233,519

19.4 Notes to the reconciliations

(a) Timber holdings

Under Canadian GAAP, purchased plantations and planted plantations were disclosed as a single item measured at cost and classified as non-current assets. Certain nursery biological assets were classified as inventories and measured at the lower of cost and net realizable value.

Under IFRS, purchased plantations are analyzed as inventories because the Company does not manage their biological transformation. They are accordingly classified as current assets and measured at the lower of cost and net realizable value. However, the determination of the cost of inventories under IFRS excludes certain expenses, in particular relating to property maintenance, which were included in this measure under Canadian GAAP.

Planted plantations are analyzed as biological assets because the Company manages their biological transformation. They are classified as non-current assets and measured at fair value less costs to sell at the end of each reporting period, recognizing changes in fair value less costs to sell in the income statement.

The effect of reclassifying purchased plantations as current assets was an increase in current assets and a corresponding decrease in non-current assets by $2,529,000 as at June 30, 2010.

The effect of the reclassification of nursery biological assets was an increase in timber holdings measured at cost and a corresponding decrease in inventories of $9,606,000 as at June 30, 2010.

The effect on the statement of financial position of measuring planted plantations at fair value less costs to sell is an increase in the carrying amount of timber holdings measured at fair value of $59,634,000 as at June 30, 2010. The effect on the Company's total comprehensive income of measuring plantations at fair value for the three months and six months ended June 30, 2010 is a gain of $1,296,000 and $11,714,000, respectively.

The effect on the statement of financial position of charging certain plantation expenses of purchased plantations was a decrease of $12,984,000 as at June 30, 2010 and the effect of this charging on total comprehensive income for the three months and six months ended June 30, 2010 was $2,235,000 and $4,305,000, respectively.

(b) Property, plant and equipment / Other assets / Capital assets / Prepayments

Under Canadian GAAP, the prepaid land leases of land-use-rights in the PRC was classified as capital assets or property, plant and equipment while the prepaid land leases of plantation land leases were classified as other assets. Under IFRS, the prepaid land leases of both the land-use-rights in the PRC and plantation land leases are classified as prepaid lease payments. Based on the effective lease period, the current portion of prepaid lease payments are grouped under prepayment and the non-current portion are grouped under other assets in the statement of financial position.

The effect on the statement of financial position of the reclassification is an increase in the other assets of $9,034,000, an increase in prepayment of $216,000, a decrease of $9,259,000 of property, plant and equipment.

Under Canadian GAAP, any impairment loss recognized for property, plant and equipment assessed as impaired is not reversed even if the recoverable amount is subsequently assessed to be above the carrying amount of the impaired assets. Under IFRS, a previously recognized impairment loss is reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. As a result, the Company reversed a previously recognized impairment loss, resulting in an increase of the carrying amount of property, plant and equipment of $942,000 as at June 30, 2010 and recognized a loss in the total comprehensive income for the three months and six months ended June 30, 2010 of $23,000 and of $50,000, respectively.

(c) Investment properties

Under Canadian GAAP, investment properties were presented under capital assets or property, plant and equipment and measured at cost net of accumulated depreciation and accumulated impairment losses. Under IFRS, investment properties are presented separately and measured either at fair value or at cost less accumulated depreciation and impairment losses. The Company has elected to measure investment properties at cost less accumulated depreciation and impairment losses. The effect of this election and reclassification on the statement of financial position is a decrease in the carrying amount of property, plant and equipment and a corresponding increase in investment properties of $23,310,000 as at June 30, 2010.

(d) Inventories

Under Canadian GAAP, the nursery biological assets were classified as inventories and stated at lower of cost and net realizable value. Under IFRS, the nursery biological assets are presented under timber holdings and measured at fair value less costs to sell. The effect is an increase in timber holdings measured at cost and a corresponding decrease in inventories of $9,606,000 as at June 30, 2010.

(e) Interest bearing loans and borrowings / Derivative financial instruments / Equity portion of convertible notes / Loss (gain) on changes in fair value of financial instruments

The Convertible Notes are convertible into common shares of the Company, at the option of the holder, at a defined conversion rate; however, the Company may elect to deliver, in lieu of its common shares, cash or a combination of cash and common shares. Under Canadian GAAP, the conversion feature was analyzed as equity, based on the Company's unconditional ability to settle the instrument on conversion by issuing its own shares. Under IFRS however, the feature is analyzed as an embedded derivative liability, measured separately at fair value through profit or loss because it is not closely related to the underlying Convertible Notes. On initial recognition, for each series of Convertible Notes, the Company measured the derivative liability at fair value, and measured the carrying value of the underlying Convertible Notes at the difference between this amount and the proceeds of issue. Subsequent to initial recognition, it measures the derivative liability at fair value, recognizing changes in the fair value in the income statement, and accretes the carrying value of the underlying Convertible Notes to their face value using the effective interest method. The effect on the statement of financial position is a decrease in the equity portion of convertible notes of $158,883,000, a decrease in the non-current interest-bearing loans and borrowings of $125,662,000 and an increase in the derivative financial instruments of $239,027,000 as at June 30, 2010. The effect on the above in total comprehensive income in the three months and six months ended June 30, 2010 was a credit of $150,234,000 and a credit $126,663,000, respectively.

(f) Issued capital / Contributed surplus

Under IFRS, the Company elected to apply IFRS 2 to account for the equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The effect on the statement of financial position was a decrease in issued capital of $83,000, a decrease in contributed surplus of $182,000 and an increase in total comprehensive income for the three months and six months ended June 30, 2010 of $465,000 and $986,000, respectively.

(g) Income and deferred tax

Under Canadian GAAP, the Company evaluated a tax position for uncertainty in income taxes using a two step process. It first determined whether a tax position, based solely on technical merits, had a likelihood of more than 50 percent ("more-likely-than-not") of being sustained upon examination, assuming the appropriate tax authority had full knowledge of all relevant facts. For positions satisfying these criteria, it then measured the tax benefit as the largest amount of benefit, determined on a cumulative probability basis that was more-likely-than-not to be realized upon ultimate settlement. Under IFRS, the Company recognizes a provision for uncertain tax positions where it identifies a present obligation based on a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. It measures the provision at its best estimate of the amount required to settle the obligation at the end of the reporting period, taking all relevant factors into account.

The effect on the statement of financial position is to increase the amount of provision for contingent tax related liabilities by $18,920,000 as at June 30, 2010 and a charge to the total comprehensive income in the three months and six months ended June 30, 2010 of $2,746,000 and $4,025,000, respectively.

As described above, timber holdings representing planted plantations, previously measured using the cost method, are now measured at fair value with changes in fair value recognized in profit or loss. Measuring these timber holdings at fair value generates additional temporary differences between their carrying value in the financial statements and their tax bases, and therefore results in recognizing additional deferred tax liabilities. The effect is to increase the amount of the deferred income tax liability by $15,104,000 as at June 30, 2010

In addition, under IFRS, the Company has started recognizing benefits on losses incurred by PRC WFOE and CJV. The amount of total benefits that have been recognized is $3,400,000 as at June 30, 2010.

19.5 Statement of cash flows

Under Canadian GAAP, interest paid and received were classified as operating cash flows. Under IFRS, interest payments and receipts are allocated to investing and financing activities where they can be identified with transactions within those categories. There are no other material adjustments to the cash flow statement except for changes resulting from the items described above. The components of cash and cash equivalents under Canadian GAAP are similar to those presented under IFRS.

20. Events after the Reporting Period

In August 2011, the Company deposited with paying agent Citibank, N.A., for payment in cash to holders of its 9.125% Guaranteed Senior Notes due August 17, 2011 (the “2011 Notes”), the outstanding principal amount of $87,670,000, plus accrued interest to maturity. The Company is thereby repaying the outstanding principal of the 2011 Notes. Following such repayment, the 2011 Notes will be cancelled and de-listed from the Singapore Exchange Securities Trading Limited.