REPORT TO SHAREHOLDERS

[All amounts are expressed in U.S. dollars, unless otherwise indicated]

Sino-Forest is pleased to report strong financial performance in the third quarter of 2010. Revenue from continuing operations of $599.5 million grew 63.4%, compared to the same period last year. Overall gross profit increased 52.8% to $221.0 million, EBITDA rose 61.4% to $455.0 million and net income was up 11.8% to $118.0 million over the same period in 2009. Diluted EPS from continuing operations fell 1.6% to $0.47 in the third quarter of 2010.

Wood Fibre Operations includes plantation fibre and trading of wood logs.

- Revenue from plantation fibre increased $179.0 million or 60.5% to $474.9 million in the third quarter of 2010, mainly due to an increase in the revenue from harvested logs.
- Revenue from trading of imported and domestic wood products and logs increased $47.2 million or 78.2% to $107.6 million from $60.4 million, mainly due to higher volume of Russian wood logs traded.

Manufacturing and Other Operations includes engineered wood flooring, sawn timber, finger-joint board, block board, plywood, veneer and nursery businesses.

- Revenue increased 58.6% in the third quarter of 2010 to $17.0 million, mainly due to the increase in revenue from the engineered wood flooring business segment.

We are very pleased to report another strong quarter as demand for wood fibre continues to increase with China's economic growth. We further strengthened our positions in the PRC's emerging markets, while benefiting from the increased demand for wood as a result of infrastructure development and real estate construction in the PRC. During the third quarter, we resumed our planting programme, which was temporarily delayed by heavy rainfall in the previous quarter. We are in the process of replanting approximately 25,000 hectares in Hunan, Guangxi and Guangdong Provinces and expect to begin the process on another 5,000 hectares by year end.

To fund our growth initiatives, we raised $600 million last month from a notes offering, which was very well received. In that regard, we extend our gratitude to the long-time and new investors for their confidence in Sino-Forest's long-term strategic business plan and in our capability to successfully execute it. We remain committed to sustainable forestry practices and to aligning our strategies with the PRC Central Government's master plan which encourages a greener and more balanced economy.

With the $1.4 billion cash on hand, we plan to expand our geographical reach to the central and western regions of China where we intend to enter into agreements in the near future for the acquisition of an incremental 300,000 hectares of mature saleable trees to the existing base of our commercial plantations. After investing over 16 years in scientific silviculture applications and biotech R&D, we have amassed significant intellectual capital and a solid track record of developing and cultivating fast-growing species that produce high-yield output. We also intend to plant 200,000 hectares over the next two years in our southwest home base, further expanding Sino-Forest's vast portfolio of sustainable plantations. We believe that with this added strategy in addition to the planned acquisitions, our plantation size will increase substantially from 756,800 hectares to over 1.3 million hectares.

Outlook

The draft 12th Five-year plan (2011-2015) was approved at the PRC Central Government's 5th plenary meeting, which took place in October 2010. Although the plan is subject to revision and final approval at the next National Plenary Committee to be held in March 2011, it is generally perceived that the Central Government intends to make China less dependent on exports and more reliant on domestic consumer spending, and plans to improve livelihoods in rural villages through urbanization and employment creation. Based on the draft plan, the Central Government also intends to shift towards better and greener growth, to accelerate rural modernization through construction of affordable housing and improvements in agriculture, infrastructure as well as coordinated regional development. Therefore, we remain very optimistic about China's domestic growth and demand for wood fibre. We remain committed to sustainable, long-term planting in China by sowing scientifically advanced seedlings, which we have developed through R&D aimed at achieving higher fibre quality and yield output at our planted plantations.

Allen T.Y. Chan
Chairman and Chief Executive Officer

November 10, 2010

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Revenue	**599,490**	366,962	**1,156,263**	768,615
Costs and expenses				
Cost of sales	**378,504**	222,324	**716,811**	476,206
Selling, general and administration	**24,333**	13,760	**59,673**	44,849
Depreciation and amortization	**1,187**	1,160	**3,463**	3,450
	404,024	237,244	**779,947**	524,505
Income from operations before the undernoted	**195,466**	129,718	**376,316**	244,110
Interest expense	**(31,341)**	(17,323)	**(89,225)**	(51,154)
Interest income	**1,920**	2,580	**8,912**	6,760
Exchange losses	**(1,493)**	(217)	**(2,386)**	(580)
(Loss) gain on changes in fair value of financial instruments	**(432)**	1,938	**(4,419)**	3,545
Other income	**453**	—	**908**	1,272
Income before income taxes	**164,573**	116,696	**290,106**	203,953
Provision for income taxes *[note 14]*	**(48,199)**	(10,199)	**(66,550)**	(22,515)
Net income from continuing operations	**116,374**	106,497	**223,556**	181,438
Net loss from discontinued operations *[note 7]*	**(274)**	(880)	**(970)**	(7,767)
Net income before non-controlling interests	**116,100**	105,617	**222,586**	173,671
Non-controlling interests	**1,936**	—	**1,935**	—
Net income for the period	**118,036**	105,617	**224,521**	173,671
Earnings per share *[note 15]*				
Basic, for net income for the period	**0.48**	0.48	**0.92**	0.87
Diluted, for net income for the period	**0.47**	0.47	**0.92**	0.86
Earnings per share from continuing operations				
Basic, for net income for the period	**0.48**	0.48	**0.93**	0.91
Diluted, for net income for the period	**0.47**	0.48	**0.92**	0.90
Loss per share from discontinued operations				
Basic, for net loss for the period	**(0.00)**	(0.00)	**(0.00)**	(0.04)
Diluted, for net loss for the period	**(0.00)**	(0.00)	**(0.00)**	(0.04)
Retained earnings				
Retained earnings, beginning of period	**1,160,759**	837,611	**1,054,257**	769,557
Net income for the period	**118,036**	105,617	**224,521**	173,671
Transfer from statutory reserve *[note 13]*	**—**	—	**17**	—
Retained earnings, end of period	**1,278,795**	943,228	**1,278,795**	943,228

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	$	$	**$**	$
Net income for the period	**118,036**	105,617	**224,521**	173,671
Other comprehensive income:				
Unrealized gains on foreign currency translation of self-sustaining operations	**35,627**	1,096	**50,640**	1,590
Unrealized gains on financial assets designated as available-for-sale	**485**	6,650	**2,490**	10,955
Reversal of unrealized gains on financial assets designated as available-for-sale	**(485)**	—	**(2,490)**	—
Other comprehensive income	**35,627**	7,746	**50,640**	12,545
Comprehensive income	**153,663**	113,363	**275,161**	186,216

See accompanying notes

CONSOLIDATED BALANCE SHEETS

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

	As at September 30, 2010 $	As at December 31, 2009 $
ASSETS		
Current		
Cash and cash equivalents	**816,551**	1,102,366
Short-term deposits *[note 4(b)]*	**32,788**	70,387
Accounts receivable	**406,105**	282,306
Inventories *[note 3]*	**89,348**	45,978
Prepaid expenses and other	**86,255**	54,747
Convertible bonds	—	29,446
Assets of discontinued operations *[note 7]*	—	1,531
Total current assets	**1,431,047**	1,586,761
Timber holdings	**2,992,447**	2,183,489
Capital assets, net *[note 5]*	**99,761**	77,377
Intangible assets *[note 8]*	**162,697**	636
Other assets *[note 6]*	**122,054**	115,636
	4,808,006	3,963,899
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 4]*	**122,524**	103,991
Current portion of long-term debt *[note 9]*	**87,670**	—
Accounts payable and accrued liabilities *[note 14]*	**400,836**	250,287
Income taxes payable	**10,854**	7,346
Liabilities of discontinued operations *[note 7]*	**12,803**	12,156
Total current liabilities	**634,687**	373,780
Long-term debt *[note 9]*	**1,066,303**	925,466
Future income tax liabilities	**78,743**	—
Total liabilities	**1,779,733**	1,299,246
Non-controlling interests *[note 8]*	**45,362**	—
Shareholders' equity		
Equity portion of convertible senior notes *[notes 9(b) and 9(c)]*	**158,883**	158,883
Share capital *[note 10]*	**1,255,793**	1,213,495
Contributed surplus *[note 11]*	**12,999**	12,200
Accumulated other comprehensive income *[note 12]*	**274,788**	224,148
Statutory reserve *[note 13]*	**1,653**	1,670
Retained earnings	**1,278,795**	1,054,257
Total shareholders' equity	**2,982,911**	2,664,653
	4,808,006	3,963,899

Commitments and Contingencies *[notes 14 and 20]*

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three months ended September 30, 2010 $	Three months ended September 30, 2009 $	Nine months ended September 30, 2010 $	Nine months ended September 30, 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	**118,036**	105,617	**224,521**	173,671
Net loss from discontinued operations	**274**	880	**970**	7,767
Add (deduct) items not affecting cash				
Depletion of timber holdings included in cost of sales	**258,380**	151,079	**395,436**	294,716
Depreciation and amortization	**2,010**	1,160	**5,630**	3,450
Accretion of convertible senior notes	**6,610**	3,354	**19,267**	9,764
Stock-based compensation	**696**	1,173	**2,868**	3,498
Loss (gain) on changes in fair value of financial instruments	**432**	(1,937)	**4,419**	(3,545)
Unrealized exchange losses (gains)	**(860)**	193	**(1,779)**	196
Other	**846**	(1,047)	**(850)**	(1,091)
	386,424	260,472	**650,482**	488,426
Net change in non-cash working capital balances *[note 16]*	**(59,995)**	(26,308)	**(172,347)**	70,071
Cash flows from operating activities of continuing operations	**326,429**	234,164	**478,135**	558,497
Cash flows (used in) from operating activities of discontinued operations	**(166)**	232	**(491)**	(2,342)
CASH FLOWS USED IN INVESTING ACTIVITIES				
Additions to timber holdings	**(411,542)**	(303,930)	**(776,259)**	(729,703)
Increase in other assets	**(36,649)**	(14,457)	**(48,698)**	(20,065)
Additions to capital assets	**(7,628)**	(2,932)	**(22,398)**	(8,805)
Decrease (increase) in non-pledged short-term deposits	**5,245**	(5,122)	**13,165**	(6,600)
Business acquisitions *[note 8]*	**(856)**	—	**3,163**	—
Acquisition of convertible bonds	**—**	—	**—**	(200)
Proceeds from disposal of capital assets	**9**	—	**142**	111
Cash flows used in investing activities	**(451,421)**	(326,441)	**(830,885)**	(765,262)
Cash flows from investing activities of discontinued operations	**—**	14,981	**1,478**	24,120
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
Payment on deferred financing costs	**—**	(14,027)	**(5,893)**	(14,027)
(Decrease) increase in bank indebtedness	**(31,923)**	1,835	**16,485**	3,860
Decrease (increase) in pledged short-term deposits	**25,171**	(213)	**24,997**	1,089
Issuance of shares, net of issue costs	**—**	—	**4,896**	323,947
Payment on derivative financial instrument	**—**	(2,890)	**—**	(5,781)
Issuance of a long-term debt	**24,750**	—	**24,750**	—
Repayment of a long-term debt	**—**	—	**(530)**	—
Cash flows from (used in) financing activities	**17,998**	(15,295)	**64,705**	309,088
Effect of exchange rate changes on cash and cash equivalents	**979**	21	**1,243**	(72)
Net (decrease) increase in cash and cash equivalents	**(106,181)**	(92,338)	**(285,815)**	124,029
Cash and cash equivalents, beginning of period	**922,732**	657,538	**1,102,366**	441,171
Cash and cash equivalents, end of period	**816,551**	565,200	**816,551**	565,200
Supplemental cash flow information				
Cash payment for interest charged to income	**34,780**	22,783	**70,828**	50,047
Interest received	**1,478**	646	**3,907**	1,833

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

1. BASIS OF PRESENTATION

The interim consolidated financial statements are unaudited and follow the accounting policies as outlined in note 1 of the notes to the consolidated financial statements for the year ended December 31, 2009. These interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements and should therefore be read in conjunction with the consolidated financial statements and notes for the year ended December 31, 2009.

The quarterly results are not necessarily indicative of results to be expected for the entire year. Revenue for the third quarter of the year traditionally represents approximately 25% to 30% 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.

2. FUTURE ACCOUNTING STANDARDS

The CICA has issued the following Handbook Sections which apply commencing with the Company's fiscal years noted below.

In January 2009, the CICA issued Section 1601 Consolidations and Section 1602 Non-controlling Interests. CICA 1601 establishes standards for the preparation of consolidated financial statements. CICA 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are applicable to interim and annual financial statements of the Company beginning on January 1, 2011. The Company is in the process of evaluating the impact of these standards.

In January 2009, the CICA issued Section 1582 Business Combinations, replacing Section 1581 Business Combinations. The new section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The section is applicable to the annual and interim financial statements of the Company beginning on or after January 1, 2011, with early adoption permitted. The Company is in the process of evaluating the impact of this standard.

3. INVENTORIES

The Company's inventories consist of the following:

	September 30, 2010	December 31, 2009
	$	$
Raw materials	**3,698**	2,411
Work in progress	**10,334**	6,641
Finished goods	**10,013**	5,793
Timber logs	**52,535**	21,675
Nursery	**12,768**	9,458
	89,348	45,978

The amount of inventories recognized as an expense and included in cost of sales for the three months and nine months ended September 30, 2010 was $120,124,000 [three months ended September 30, 2009 – $71,245,000] and $321,375,000 [nine months ended September 30, 2009 – $181,490,000], respectively. The amount charged to the statements of income and retained earnings and included in cost of sales for the reversal of previously recorded write-down of inventories for valuation issues for the three months and nine months ended September 30, 2010 was $121,000 [three months ended September 30, 2009 – a reversal of write-down of $347,000] and $1,109,000 [nine months ended September 30, 2009 – a charge of $1,172,000], respectively.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

4. BANK INDEBTEDNESS

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

[a] charges over certain of the Company's land-use rights, buildings and timber holdings which have an aggregate net book value at September 30, 2010 of $47,383,000 [December 31, 2009 – $45,096,000]; and

[b] certain short-term deposits at September 30, 2010 of $5,252,000 [December 31, 2009 – $30,242,000].

Total interest expense on bank indebtedness for the three months and nine months ended September 30, 2010 was $1,311,000 [three months ended September 30, 2009 – $794,000] and $3,896,000 [nine months ended September 30, 2009 – $2,532,000], respectively.

5. CAPITAL ASSETS

The Company's capital assets consist of the following:

	September 30, 2010		December 31, 2009	
	Cost	**Accumulated depreciation, amortization and impairment**	Cost	Accumulated depreciation, amortization and impairment
	$	**$**	$	$
Machinery and equipment	**41,054**	**15,381**	28,449	13,742
Buildings	**62,762**	**6,294**	52,072	4,213
Land-use rights	**10,909**	**1,469**	9,714	1,297
Office furniture and equipment	**5,510**	**2,718**	4,059	2,040
Vehicles	**9,284**	**3,896**	7,326	2,951
	129,519	**29,758**	101,620	24,243
Less: accumulated depreciation, amortization and impairment	**(29,758)**		(24,243)	
Net book value	**99,761**		77,377	

Buildings, machinery and equipment of $4,943,000 [December 31, 2009 – $2,533,000] are not being depreciated as the production facilities are under construction and have not yet been put into commercial operation. No interest was capitalized to capital assets in the current and prior periods.

6. OTHER ASSETS

The Company's other assets consist of the following:

	September 30, 2010	December 31, 2009
	$	$
Prepaid plantation costs and lease rentals [a]	**74,444**	59,172
Investment in Omnicorp and Greenheart	—	17,057
Deposit for purchase of logs [b]	**33,500**	8,000
Deposit for acquisition of long-term investment/capital assets	**9,604**	6,570
Investment in Mandra	—	2
Subordinated loan and interest receivable	—	20,567
Other	**4,506**	4,268
	122,054	115,636

[a] These represent prepayment on land and land leases of plantation land in the PRC and prepaid expenses for planted plantations.

[b] The amount represents deposits paid to wood logs suppliers to secure long-term supply of wood logs from Inner Mongolia, Russia and Indonesia. The deposits will be utilized upon purchase of wood logs pursuant to the terms of the contracts.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

7. DISCONTINUED OPERATIONS

During the third quarter of 2007, wood chips and commission revenue ceased due to the lack of wood chipping capacity available to the Company. The results of operations from wood chips and commission are detailed below and shown as discontinued operations.

In March 2009, the Company committed to a plan to dispose of certain machinery and equipment of the Company's particleboard operations in Gaoyao, the PRC due to continued losses over the years. On March 30, 2009, a subsidiary of the Company entered into an agreement, as amended by a supplementary agreement in June 2009, to dispose of the capital assets of the Gaoyao particleboard operations for proceeds of approximately $29,550,000 (equivalent to RMB202,000,000). The Company has recognized the sale as disposal of capital assets and the results of operations of the Company's particleboard operations are detailed below and shown as discontinued operations.

The results of the discontinued operations are as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Revenue	—	790	—	1,111
Cost and expenses				
Cost of sales	—	1,364	—	1,963
Selling, general and administration	—	(325)	**161**	(91)
Depreciation and amortization	—	25	—	240
	—	1,064	**161**	2,112
Loss from operations before the undernoted	—	(274)	**(161)**	(1,001)
Interest expenses	—	(74)	—	(234)
Exchange losses	—	(4)	—	(8)
Impairment of assets held for sale	—	—	—	(4,670)
Other income	—	186	—	264
Loss before income taxes	—	(166)	**(161)**	(5,649)
Provision for income taxes	**(274)**	(714)	**(809)**	(2,118)
Net loss from discontinued operations	**(274)**	(880)	**(970)**	(7,767)

Assets and liabilities of discontinued operations consist of the following:

	September 30, 2010	December 31, 2009
	$	$
Assets of discontinued operations		
Accounts receivable	—	12
Prepaid expenses and others	—	1,519
	—	1,531
Liabilities of discontinued operations		
Accounts payable and accrued liabilities *[a]*	**12,803**	12,156
	12,803	12,156

The statements of cash flows of discontinued operations are as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2010	2009	**2010**	2009
	$	$	**$**	$
Cash flows (used in) from operating activities	**(166)**	232	**(491)**	(2,342)
Cash flows from investing activities	—	14,981	**1,478**	24,120
	(166)	15,213	**987**	21,778

Included in the cash flows from investing activities of discontinued operations in the nine months ended September 30, 2010 are receipts of $1,478,000 representing instalments received for the disposal of certain machinery and equipment of the Gaoyao particleboard operation. The items of other comprehensive income of the discontinued operations for the three months and nine months ended September 30, 2010 and 2009 are insignificant.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

[a] Included in accounts payable and accrued liabilities as at September 30, 2010 is the balance of the tax provision for the tax related contingency of $9,704,000 [December 31, 2009 – $8,717,000] provided on the income and commission earned from the sale of wood chips in prior years (see note 14).

8. BUSINESS ACQUISITIONS

[a] On January 4, 2010, the Company, through a wholly-owned subsidiary, acquired a 100% equity interest in Homix Limited ("Homix") and subsidiaries, which are principally engaged in the research & development and manufacturing of engineered-wood products in China, for cash of $7,100,000.

In accordance with the purchase price method of accounting, the purchase price paid has been allocated to the assets acquired and liabilities assumed based on estimated fair values on the closing date. The purchase price allocation is preliminary and the Company is continuing to evaluate the assets acquired and liabilities assumed, and there may be adjustments to the preliminary estimate of purchase date fair values and the identification of other intangibles as the Company completes the valuation process. The Company will finalize the purchase price allocation in 2010. The preliminary purchase price allocation based on estimated fair values of assets acquired and liabilities assumed is as follows:

	$
Cash and bank balances	2,388
Accounts receivable	159
Inventories	3,321
Prepaid expenses and others	138
Capital assets	5,363
Intangible assets	8,017
Bank indebtedness	(1,172)
Accounts payable and accrued liabilities	(10,905)
Income taxes payable	(9)
	7,300

	$
Purchase consideration	
Cash paid	7,100
Transaction costs	200
Total purchase price	7,300

The operating results of Homix from January 4, 2010 to September 30, 2010 are included in these consolidated financial statements.

[b] On February 5, 2010, the Company acquired an 84.99% equity interest in Mandra Forestry Holdings Limited ("Mandra") in which the Company previously held a 15% equity interest. Mandra is principally engaged in the operation of forest plantations in the PRC.

The Company paid initial consideration of $2,000,000 on February 5, 2010 and an additional fixed amount of $2,000,000 on August 5, 2010. Additional contingent consideration amounts of up to $5,000,000 (the "First Supplemental Payment") and $5,000,000 (the "Second Supplemental Payment") are payable based on achieving certain agreed milestones, with (i) 50% of the First Supplemental Payment (the "Initial First Supplemental Payment") paid on August 5, 2010; and (ii) the remaining 50% of the First Supplemental Payment, together with the Second Supplemental Payment, payable on February 5, 2011. On August 5, 2010, the Company issued 147,908 common shares as the Initial First Supplemental Payment at an issuance price of Cdn.$15.60 per common share. The remaining First Supplemental Payment and the Second Supplemental Payment are to be paid by an issuance of common shares at an issuance price based on the volume-weighted average price for the ten trading days preceding January 10, 2011, subject to a minimum per-share price of Cdn.$7.00. These amounts may be reduced by negotiation if any of the milestones are not met, subject to a maximum reduction of 50%. The Company accounts for the contingent amounts as an additional cost of the purchase when the contingencies are resolved and the consideration becomes issuable.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

Concurrently on February 5, 2010, the Company completed an exchange with holders of 99.7% of the $195,000,000 of 12% guaranteed senior notes due in 2013 issued by Mandra Forestry Finance Limited ("Mandra Notes") and 96.7% of the warrants issued by Mandra, for an aggregate principal amount of $187,177,375 of new guaranteed senior notes issued by the Company (the "New 2014 Senior Notes"), bearing interest at a rate of 10.25% per annum, with a maturity date of July 28, 2014. On February 11, 2010, the holders of the New 2014 Senior Notes exchanged their notes with the Company in consideration of the issuance by the Company of additional 2014 Senior Notes with an aggregate principal amount of $187,187,000. On the acquisition date, the Mandra Notes assumed by the Company were valued at the fair value of the 2014 Senior Notes. The remaining 0.3%, or $530,000 principal amount, of the Mandra Notes was redeemed pursuant to the terms of the indenture governing the Mandra Notes on June 2, 2010.

On June 10, 2010, the Company acquired the remaining 0.01% equity interest in Mandra for consideration of $160. On June 29, 2010, the Company acquired the remaining 3.3% of the warrants issued by Mandra for consideration of $132,000.

The purchase price allocation for the equity interest in Mandra is preliminary and the Company is continuing to evaluate the assets acquired and liabilities assumed due to the timing of the agreement and the extensive work required to complete the independent valuation of the assets and liabilities acquired. There may be adjustments to the estimated purchase date fair values which may affect timber holdings, goodwill, non-controlling interests, income taxes and the identification and recognition of other intangibles and other liabilities. The Company will finalize the purchase price allocation in 2010. The preliminary purchase price allocation based on estimated fair values of assets acquired and liabilities assumed is as follows:

	$
Cash and bank balances	6,683
Accounts receivable	408
Inventories	822
Prepaid expenses and others	749
Timber holdings	283,208
Capital assets	1,284
Other assets	9,873
Accounts payable and accrued liabilities	(48,775)
Future income tax liabilities	(39,222)
Long-term debt	(202,717)
Non-controlling interests	(1,233)
	11,080

	$
Purchase consideration	
Cash paid	4,134
Issue of common shares	5,000
Transaction costs	1,946
Total purchase price	11,080

The operating results of Mandra from February 5, 2010 to September 30, 2010 are included in these consolidated financial statements.

[c] During the three months ended September 30, 2010, the Company acquired control over Omnicorp Limited ("Omnicorp") and Greenheart Resources Holdings Limited ("Greenheart").

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

Prior to this quarter, the Company held non-controlling interests in both Greenheart and Omnicorp, acquired through various transactions. On June 1, 2010, the Company acquired 2,638,469,000 ordinary shares in Greenheart, representing approximately 34.4% of Greenheart's issued share capital and increasing the Company's total holdings to approximately 39.6%. Total consideration was approximately $33,269,000, paid by issuing 1,990,566 common shares of the Company at an issuance price of Cdn.$17.49 per common share. The remaining 60.4% equity interest in Greenheart was and continues to be held by Omnicorp.

On August 3, 2010, the Company acquired 230,000,000 ordinary shares in Omnicorp, increasing its voting interest in Omnicorp to approximately 53.5% of the enlarged issued share capital. Total cash consideration, at a price per share of HK$1.82, was HK$418,600,000 or approximately $53,846,000. At the same time it acquired control over Omnicorp, the Company acquired control over Greenheart.

The Company also held an aggregate principal amount of HK$212,328,000 4% convertible bonds of Omnicorp which were convertible into ordinary shares of Omnicorp at a conversion price of HK$2.00 per share. On September 27, 2010, the Company converted all of the convertible bonds, increasing its controlling equity interest in Omnicorp to approximately 59.1%.

As the Company acquired control over Greenheart at the same time as it acquired Omnicorp, it has aggregated the two transactions for purposes of accounting and disclosure, and in identifying the fair values of net assets acquired on the closing date. The purchase price allocation is preliminary and the Company is continuing to evaluate these assets acquired and liabilities assumed, and there may be adjustments to its current estimates of their fair values as the Company completes the valuation process. The Company intends on finalizing purchase price allocation before the end of 2010. The preliminary purchase price allocation based on estimated fair values of assets acquired and liabilities assumed is as follows:

	$
Cash and bank balances	55,598
Accounts receivable	184
Inventories	1,292
Prepaid expenses and others	225
Timber concession rights	154,802
Capital assets	3,560
Other assets	1,753
Accounts payable and accrued liabilities	(3,956)
Future income tax liabilities	(39,693)
Non-controlling interests	(46,064)
	127,701

	$
Purchase consideration	
Cash paid	53,846
Issue of common shares	33,328
Transfer from convertible bonds and available-for-sale financial assets	39,919
Transaction costs	608
Total purchase price	127,701

The timber concession rights are accounted for as intangible assets.

The operating results of Omnicorp and Greenheart from August 3, 2010 to September 30, 2010 are included in these consolidated financial statements.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

9. LONG-TERM DEBT

The Company's long-term debt consists of the following:

	September 30, 2010	December 31, 2009
	$	$
2011 Senior Notes [a]	**87,670**	87,670
2014 Senior Notes [a]	**399,517**	212,330
2013 Convertible Notes [b]	**299,531**	289,560
2016 Convertible Notes [c]	**376,903**	369,306
2015 Omnicorp Convertible Notes [d]	**24,750**	—
Unamortized deferred financing costs	**(34,398)**	(33,400)
	1,153,973	925,466
Less: Current portion	**(87,670)**	—
	1,066,303	925,466

[a] On August 17, 2004, the Company issued $300,000,000 non-convertible guaranteed senior notes (the "2011 Senior Notes"). The 2011 Senior Notes bear interest at a rate of 9.125% per annum and are payable semi-annually. The 2011 Senior Notes will mature on August 17, 2011. The 2011 Senior Notes are:

- general obligations of the Company;
- guaranteed by the Subsidiary Guarantors (as defined in the indenture which governs the 2011 Senior Notes, as amended) on a senior basis subject to certain limitations;
- senior in right of payment to any existing and future obligations of the Company which are expressly subordinated in right of payment to the noteholders;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law; and
- secured by pledge of the shares of the Subsidiary Guarantors.

On August 16, 2004, the Company entered into a currency swap contract. Under the terms of the contract, the Company hedged RMB113,290,070 on each of August 17 and February 17 in exchange for $13,687,500. The contract matured on August 16, 2009. The loss on change in fair value of $567,000 has been recorded in losses on changes in fair value of financial instruments in the statements of income and retained earnings in the nine months ended September 30, 2009.

On June 24, 2009, the Company offered to eligible holders of the 2011 Senior Notes to exchange, subject to certain conditions, any and all of the outstanding 2011 Senior Notes for up to $300,000,000 10.25% new guaranteed senior notes due 2014 (the "2014 Senior Notes"). The Company also solicited consents from holders of the 2011 Senior Notes to amend certain of the provisions of the indenture governing the 2011 Senior Notes.

On July 27, 2009, the Company completed the exchange offer and consent solicitation, issuing an aggregate principal amount of $212,330,000 of 2014 Senior Notes, representing approximately 70.8% of the aggregate principal amount of the 2011 Senior Notes. The remaining principal amount of approximately $87,670,000 of 2011 Senior Notes will be repaid upon maturity in 2011. The Company received the requisite consents from holders of the 2011 Senior Notes and, as a result, the outstanding 2011 Senior Notes not tendered to the exchange offer are also subject to amended provisions of the indenture governing the 2011 Senior Notes. The 2014 Senior Notes are:

- general obligations of the Company;
- guaranteed by the Subsidiary Guarantors (as defined in the indenture which governs the 2014 Senior Notes) on a senior basis subject to certain limitations;
- senior in right of payment to any existing and future obligations of the Company which are expressly subordinated in right of payment to the noteholders;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law; and

- effectively subordinated to all existing and future obligations of the Initial Non-Guarantor Subsidiaries (as defined in the indenture which governs the 2014 Senior Notes).

In accordance with CICA Emerging Issues Committee Abstract – 88 "Debtors Accounting for a Modification or Exchange of Debt Instruments", the exchange offer with certain holders of the 2011 Senior Notes constitutes a modification of the 2011 Senior Notes. As a result, financing costs incurred in connection with the exchange offer were added to the unamortized deferred financing costs of the 2014 Senior Notes and will be amortized over the term of the debt using the effective interest rate method.

On February 5, 2010, the Company completed an exchange of the Mandra Notes with the 2014 Senior Notes. As a result, the Company issued an aggregate principal amount of $187,187,000 of 2014 Senior Notes.

Total interest expense on the 2011 Senior Notes for the three months and nine months ended September 30, 2010 was $2,199,000 [three months ended September 30, 2009 – $2,054,000] and $6,419,000 [nine months ended September 30, 2009 – $16,447,000], respectively.

Total interest expense on the 2014 Senior Notes for the three months and nine months ended September 30, 2010 was $11,471,000 [three months ended September 30, 2009 – $5,796,000] and $31,507,000 [nine months ended September 30, 2009 – $5,796,000], respectively.

[b] On July 17, 2008, the Company closed an offering of convertible guaranteed senior notes (the "2013 Convertible Notes") for gross proceeds of $300,000,000. The 2013 Convertible Notes will mature on August 1, 2013 and bear interest at a rate of 5.0% per annum, payable semi-annually. The 2013 Convertible Notes are convertible into common shares of the Company, at the option of the holder, at any time prior to the maturity date at an initial conversion rate of 49.2974 common shares per $1,000 principal amount of the 2013 Convertible Notes. If a Fundamental Change, as defined in the indenture which governs the 2013 Convertible Notes, occurs prior to the maturity date, the Company will be required to make an offer to each holder to purchase for cash all or a portion of the 2013 Convertible Notes at the holder's option and the conversion rate may be adjusted. Upon conversion without a Fundamental Change, at the Company's option, the Company may elect to deliver, in lieu of common shares of the Company, cash or a combination of cash and common shares of the Company and any gain or loss arising from extinguishment of the debt is recorded in the period that the extinguishment occurs.

On August 6, 2008, the Company issued an additional $45,000,000 of 2013 Convertible Notes pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the offering, increasing the gross proceeds to $345,000,000. The Company has allocated $272,621,000 of the face value of the 2013 Convertible Notes to the liability component and $72,379,000 to the equity component. The fair value of the liability component was estimated by discounting the future payments of interest and principal and will be accreted to the $345,000,000 face value using the estimated effective interest rate of 11.1%. The residual carrying value of $70,462,000, net of issue cost and attributed to the equity component of the 2013 Convertible Notes, was classified as equity component of the 2013 Convertible Notes. The total issue cost of $9,135,000 has been prorated against the liability and equity components. The 2013 Convertible Notes are:

- general senior unsubordinated obligations of the Company;
- guaranteed by the Subsidiary Guarantors (as defined in the indenture which governs the 2013 Convertible Notes) on a senior basis subject to certain limitations;
- senior in right of payment to any existing and future obligations of the Company which are expressly subordinated in right of payment to the noteholders;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law; and
- effectively subordinated to all existing and future obligations of the Initial Non-Guarantor Subsidiaries (as defined in the indenture which governs the 2013 Convertible Notes).

Total interest expense of the 2013 Convertible Notes for the three months and nine months ended September 30, 2010 was $8,027,000 [three months ended September 30, 2009 – $7,644,000] and $23,795,000 [nine months ended September 30, 2009 – $22,625,000], respectively.

[c] On December 17, 2009, the Company closed an offering of convertible guaranteed senior notes (the "2016 Convertible Notes") for gross proceeds of $460,000,000. The 2016 Convertible Notes will mature on December 15, 2016 and bear interest at a rate of 4.25% per annum, payable semi-annually. The 2016 Convertible Notes are convertible into common shares of the Company, at the option of the holder, at any time prior to the maturity date at an initial conversion rate of 47.2619 common shares per $1,000 principal amount of the 2016 Convertible Notes. If a Fundamental Change, as defined in the indenture which governs the 2016 Convertible Notes, occurs prior to the maturity date, the Company will be required to make an offer to each holder to purchase for cash all or a portion of the 2016 Convertible Notes at the holder's option and the conversion rate may be adjusted. Upon conversion without a Fundamental Change, at the Company's option, the Company may elect to deliver, in lieu of common shares of the Company, cash or a combination of cash and common shares of the Company and any gain or loss arising from extinguishment of the debt is recorded in the period that the extinguishment occurs.

The Company has allocated $368,893,000 of the face value of the 2016 Convertible Notes to the liability component and $91,107,000 to the equity component. The fair value of the liability component was estimated by discounting the future payments of interest and principal and will be accreted to the $460,000,000 face value using the estimated effective interest rate of 8.5%. The residual carrying value of $88,421,000, net of issue costs and attributed to the equity component of the 2016 Convertible Notes, was classified as equity component of the 2016 Convertible Notes. The total issue cost of $13,564,000 has been prorated against the liability and equity components. The 2016 Convertible Notes are:

- general senior unsubordinated obligations of the Company;
- guaranteed by the Subsidiary Guarantors (as defined in the indenture which governs the 2016 Convertible Notes) on a senior basis subject to certain limitations;
- senior in right of payment to any existing and future obligations of the Company which are expressly subordinated in right of payment to the noteholders;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Company subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law; and
- effectively subordinated to all existing and future obligations of the Initial Non-Guarantor Subsidiaries (as defined in the indenture which governs the 2016 Convertible Notes).

Total interest expense of the 2016 Convertible Notes for the three months and nine months ended September 30, 2010 was $7,785,000 [three months ended September 30, 2009 – $Nil] and $23,042,000 [nine months ended September 30, 2009 – $Nil], respectively.

[d] On August 17, 2010, a subsidiary of the Company, Omnicorp, issued convertible notes with an aggregate principal amount of $25,000,000 for gross proceeds of $24,750,000 (the "2015 Omnicorp Convertible Notes"). The 2015 Omnicorp Convertible Notes will mature on August 17, 2015 and bear interest at a rate of 5.0% per annum, payable semi-annually in arrears.

The 2015 Omnicorp Convertible Notes are convertible into the ordinary shares of Omnicorp, at the option of the holder, at any time after six months from the completion date and prior to the maturity date at a conversion price of HK$2.002 per conversion share. A maximum of 97,077,922 conversion shares will be allotted and issued, assuming the conversion rights attaching to the 2015 Omnicorp Convertible Notes are exercised in full at the conversion price of HK$2.002. On the maturity date, Omnicorp shall repay the outstanding 2015 Omnicorp Convertible Notes in full and to pay a further sum that will result in a compounded return of 10% per annum accrued from the completion date up to but not including the maturity date on the principal amount, inclusive of any interest received.

On the third and fourth anniversary of the completion date, the noteholder may require Omnicorp to redeem all or some of the 2015 Omnicorp Convertible Notes at a redemption amount equal to the principal amount and a further sum that will result in a compounded return of 10% per annum accrued from the completion date on the principal amount, inclusive of any interest received.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

The sole subscriber to the 2015 Omnicorp Convertible Notes is a company in which a director of the Company has an indirect interest.

[e] Under the terms of the above debt agreements in [a], the Company has met the financial and non-financial covenants affecting the Company and the restricted subsidiaries (as defined in the debt agreements).

10. SHARE CAPITAL

The Company's share capital consists of the following:

	Nine months ended September 30, 2010		Twelve months ended December 31, 2009	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
		$		$
Authorized				
Unlimited common shares, without par value				
Unlimited preference shares, issuable in series, without par value				
Issued				
Balance, beginning of period/year	**242,129,062**	**1,213,495**	183,119,072	539,315
Issue of shares	**2,138,474**	**35,501**	59,009,990	674,180
Exercise of options	**1,177,666**	**4,896**	—	—
Transfer from contributed surplus *[note 11]*	—	**1,901**	—	—
Balance, end of period/year	**245,445,202**	**1,255,793**	242,129,062	1,213,495

During the nine months ended September 30, 2010, the movements in share capital were as follows:

[a] In June 2010, the Company completed the issuance of 1,990,566 common shares to acquire 2,638,469,000 ordinary shares of Greenheart.

[b] In August 2010, the Company completed the issuance of 147,908 common shares to settle part of the Initial First Supplemental Payment relating to the acquisition of Mandra.

[c] During the nine months ended September 30, 2010, 1,177,666 common shares were issued upon the exercise of stock options for proceeds of $4,896,000.

During the nine months ended September 30, 2010, options to acquire up to 216,143 common shares were granted to executives and employees at exercise prices ranging from Cdn.$17.41 to Cdn.$19.56. The options granted will vest over one to three years and expire in five years. The total fair value of the stock options granted was estimated to be $1,932,000 on the respective dates of grant using the Black Scholes option-pricing model with the following input:

	May 13, 2010	June 21, 2010
Number of options (in number)	187,289	28,854
Exercise price (in Cdn.$)	$19.56	$17.41
Date of expiry	May 13, 2015	June 21, 2015
Dividend Yield	0.0%	0.0%
Volatility	58.1%	57.7%
Risk-free interest rate	2.80%	2.28%
Option's expected life (in years)	5.0	5.0

The weighted average fair values of each option granted on May 13, 2010 and June 21, 2010 were estimated at $8.97 and $8.72, respectively, using the Black Scholes option-pricing model.

The compensation expenses recorded for the nine months ended September 30, 2010 with respect to stock options amounted to $2,700,000 (2009: $3,498,000).

As at September 30, 2010, options to purchase 790,898 common shares remain available to be granted.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

For the nine months ended September 30, 2010, $168,000 was recorded in selling, general and administrative expenses as compensation expense for the Deferred Stock Units ("DSUs") (including a charge of $36,000 related to the revaluation to the market value of the underlying shares as at September 30, 2010). As at September 30, 2010, there were an aggregate of 19,671 DSUs with a market value of $326,000 recognized and outstanding.

11. CONTRIBUTED SURPLUS

The contributed surplus represents stock-based compensation and options granted over the vesting period which was charged to the statements of income and retained earnings.

	Nine months ended September 30, 2010	Twelve months ended December 31, 2009
	$	$
Balance, beginning of period/year	**12,200**	7,599
Stock-based compensation	**2,700**	4,601
Transfer to share capital *[note 10]*	**(1,901)**	—
Balance, end of period/year	**12,999**	12,200

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in accumulated other comprehensive income were as follows:

Nine months ended September 30,	**2010**	2009
	$	$
Balance, beginning of period	**224,148**	211,831
Other comprehensive income	**50,640**	12,545
Balance, end of period	**274,788**	224,376

As at the balance sheet dates, accumulated other comprehensive income comprises the following amounts:

	September 30, 2010	December 31, 2009
	$	$
Unrealized gains on translation of financial statements of self-sustaining foreign operations	**274,788**	217,882
Unrealized gains on financial assets designated as available-for-sale	**8,756**	6,266
Reversal of unrealized gains on financial assets designated as available-for-sale	**(8,756)**	—
Balance, end of period/year	**274,788**	224,148

Unrealized translation adjustments arise on the translation to U.S. dollars of assets and liabilities of the Company's self-sustaining foreign operations. For the nine months ended September 30, 2010, the Company incurred unrealized foreign currency translation gains of $50,640,000 [2009 – $1,590,000], primarily from the strengthening of Renminbi against U.S. dollars.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

13. STATUTORY RESERVE

Pursuant to PRC regulations, the Company's subsidiaries in the PRC are required to make appropriation to the reserve fund based on after-tax net income determined in accordance with PRC generally accepted accounting principles ("PRC GAAP"). Appropriation to the reserve must be at least 10% of after-tax net income determined in accordance with PRC GAAP until the accumulative total of the reserve is equal to 50% of the subsidiaries' registered capital. The allocation of the reserve must be made before the distribution of dividends to shareholders. The reserve is not available for distribution to shareholders other than in liquidation and is recorded as a component of shareholders' equity.

	Nine months ended September 30, 2010	Twelve months ended December 31, 2009
	$	$
Balance, beginning of period/year	**1,670**	—
Transfer (to) from retained earnings	**(17)**	1,670
Balance, end of period/year	**1,653**	1,670

14. PROVISION AND CONTINGENCIES FOR TAX RELATED LIABILITIES

The Company's principal operating subsidiaries incorporated in the British Virgin Islands (the "BVI Subsidiaries") are engaged in the sale of standing timber and in earning income ("Authorized Sales Activities") in the PRC through authorized intermediaries ("AI") that are domestic enterprises of the PRC. In accordance with the PRC laws and regulations relating to PRC enterprise income tax, foreign companies such as the BVI Subsidiaries, deriving income from sources in the PRC, are subject to enterprise income tax on a deemed profit basis and are expected to be taxed on this basis for the current year end plus three prior years. This also applied to income and commission revenue that the BVI Subsidiaries received from the sale of wood chips in prior years. The wood chips and commission operations were discontinued in 2007.

Under the terms of the master agreements, relevant sales and purchase contracts and commission agreements ("AI Agreements") made with the AI, the AI are responsible for remitting relevant PRC taxes that arise from the Authorized Sales Activities. It is a question of fact whether the PRC tax authorities may be successful in establishing that the BVI Subsidiaries are subject to enterprise income tax because of the Authorized Sales Activities. Management has concluded that based upon all available evidence it is appropriate to record in the accounts a provision representing management's estimate, based upon cumulative probabilities, of the amount the PRC tax authorities might seek to recover. As at September 30, 2010, this provision is $162,338,000 [December 31, 2009 – $98,863,000], which amount relates to the profits of the Authorized Sales Activities earned by the BVI Subsidiaries in the first three quarters of 2010 and in the four preceding years including discontinued operations, and is included in accounts payable and accrued liabilities. The deemed profit percentage applied by the Company to plantation fibre sales varies from 10% to 15% for 2009 and prior years depending on the province where the income is earned, and is 15% for income earned in 2010. 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 described that would be 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 application by the PRC tax authorities. Based upon the Company's analysis to date, the Company has recorded income tax based on a deemed profit rate of 15% for 2010. During the third quarter of 2010, the Company determined based on its quarterly evaluation of the provision for tax that it should also apply the 15% rate in computing taxable income for operations in certain provinces where we do business for the 2007, 2008 and 2009 years, rather than the previously applied 10% rate, and consequently increased the provision by $24,351,000. This amount has been included in the provision for income taxes for the nine month period ended September 30, 2010.

The Company records its best estimate based upon the information available to it at each reporting date and actively revisits and adjusts such estimate if required as the Company's analysis is updated.

If, as a result of administrative practices of the PRC tax authorities, the Company were to determine in future periods that the 15% rate should be applied for all of the provinces for the 2005, 2006, 2007, 2008 and 2009 years (five prior years), this would represent a further provision of $61,733,000. In addition, if the Company were to conclude that the deemed profit percentage should exceed 15%, management estimates each additional percentage point increase would represent an additional $1,993,000 in the provision as at September 30, 2010 for activities subsequent to December 31, 2009 and an additional $7,216,000 in the provision for the 2007, 2008 and 2009 taxation years.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

15. EARNINGS PER SHARE

The Company's earnings per share from continuing operations are calculated as follows:

Three months ended September 30,	**2010** Earnings $'000	**2010** Weighted average no. of shares '000	**2010** Earnings per share $	2009 Earnings $'000	2009 Weighted average no. of shares '000	2009 Earnings per share $
Net income for the period before discontinued operations	**118,310**	—		106,497	—	
Weighted average number of shares outstanding	—	**245,389**		—	220,279	
Basic earnings per share from continuing operations	**118,310**	**245,389**	**0.48**	106,497	220,279	0.48
Effect of dilutive securities:						
- stock options	—	**1,120**		—	1,563	
- 2013 Convertible Notes	**8,027**	**17,008**		7,643	17,008	
- 2016 Convertible Notes	**7,785**	**21,740**		—	—	
	134,122	**285,257**		114,140	238,850	
Deduct anti-dilutive impact:						
- 2013 Convertible Notes	**(8,027)**	**(17,008)**		—	—	
- 2016 Convertible Notes	—	—		—	—	
Diluted earnings per share from continuing operations	**126,095**	**268,249**	**0.47**	114,140	238,850	0.48

Nine months ended September 30,	**2010** Earnings $'000	**2010** Weighted average no. of shares '000	**2010** Earnings per share $	2009 Earnings $'000	2009 Weighted average no. of shares '000	2009 Earnings per share $
Net income for the period before discontinued operations	**225,491**	—		181,438	—	
Weighted average number of shares outstanding	—	**243,735**		—	199,961	
Basic earnings per share from continuing operations	**225,491**	**243,735**	**0.93**	181,438	199,961	0.91
Effect of dilutive securities:						
- stock options	—	**1,217**		—	1,285	
- 2013 Convertible Notes	**23,795**	**17,008**		22,625	17,008	
- 2016 Convertible Notes	**23,042**	**21,740**		—	—	
	272,328	**283,700**		204,063	218,254	
Deduct anti-dilutive impact:						
- 2013 Convertible Notes	**(23,795)**	**(17,008)**		(22,625)	(17,008)	
- 2016 Convertible Notes	**(23,042)**	**(21,740)**		—	—	
Diluted earnings per share from continuing operations	**225,491**	**244,952**	**0.92**	181,438	201,246	0.90

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

16. STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances comprises the following:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
	$	$	**$**	**$**
Cash (used for) provided by:				
Accounts receivable	**(83,470)**	(46,220)	**(117,746)**	56,846
Inventories	**(13,309)**	3,220	**(30,521)**	833
Prepaid expenses and other	**(15,771)**	(2,234)	**(30,421)**	(6,584)
Accounts payable and accrued liabilities [a]	**50,987**	19,623	**3,109**	19,317
Income taxes payable	**1,568**	(697)	**3,232**	(341)
	(59,995)	(26,308)	**(172,347)**	70,071

[a] As at September 30, 2010, the Company had an aggregate amount of $147,094,000 [December 31, 2009 – $39,273,000] payable in respect of timber holdings during the period which was included in accounts payable and accrued liabilities. In addition, certain additions of capital assets and plantation investments of approximately $3,097,000 [2009: $3,643,000] were transferred from other assets during the nine months ended September 30, 2010.

17. FINANCIAL INSTRUMENTS

Under Canadian generally accepted accounting principles, all financial instruments must be classified into a defined category, namely, held-to-maturity investments, held-for-trading financial assets or financial liabilities, loans and receivables, available-for-sale financial assets, and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	September 30, 2010	December 31, 2009
	$	$
Held for trading [a]	**849,339**	1,172,753
Loans and receivables [b]	**410,584**	338,421
Available for sale assets [c]	—	17,059
Other financial liabilities [d]	**1,499,101**	1,168,025
Embedded derivative [e]	—	8,459

[a] Cash and cash equivalents and short-term deposits, measured at fair value.
[b] Accounts receivable in continuing and discontinued operations, subordinated loans and interest receivable, convertible bonds receivable, and deposit for the purchase of logs are measured at amortized cost.
[c] Investment in Omnicorp is measured at fair value; investments in Greenheart and Mandra Holdings are measured at cost.
[d] Bank indebtedness, accounts payable and accrued liabilities in continuing and discontinued operations, excluding provision for tax related liabilities, and long-term debts are measured at amortized cost.
[e] Conversion option embedded in convertible bonds is measured at fair value.

Fair Value of Financial Instruments

The Company's financial instruments as at September 30, 2010 are cash and cash equivalents, short term deposits, accounts receivable, deposit for the purchase of logs, bank indebtedness, accounts payable and accrued liabilities and long-term debt.

The financial instruments recorded at fair value on the balance sheet are cash and cash equivalents and short-term deposits. These have been categorized into one of three categories, based on a fair value hierarchy, in accordance with CICA Handbook Section 3862. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are either directly or indirectly observable. Level 3 valuations are based on significant inputs that are unobservable (not based on observable market data). All of the Company's financial assets and liabilities recorded at fair value are included in Level 1. The Company did not move any instruments between levels of the fair value hierarchy during the nine months ended September 30, 2010.

The fair value of cash and cash equivalents and short-term deposits are determined using quoted market prices in active markets for foreign denominated cash and cash equivalents and short-term deposits.

The fair values of the embedded derivative instrument of $8,459,000 as at December 31, 2009 were determined using the Black-Scholes pricing model.

The investment in Omnicorp as at December 31, 2009, included in available for sale assets, was recorded at fair value based on quoted prices.

The carrying value of accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their fair value due to the short-term maturity of these instruments.

The fair values of the 2011 Senior Notes, 2014 Senior Notes, 2013 Convertible Notes and 2016 Convertible Notes are based on quoted market prices. The Company has no plans to prepay these instruments prior to maturity. The fair value and carrying amounts, excluding deferred financing costs, of the 2011 Senior Notes as at September 30, 2010 were $92,536,000 and $87,670,000, respectively [December 31, 2009 – $92,054,000 and $87,670,000, respectively]. The fair value and carrying amounts, excluding deferred financing costs, of the 2014 Senior Notes as at September 30, 2010 were $465,437,000 and $399,517,000, respectively [December 31, 2009 – $231,334,000 and $212,330,000, respectively]. The fair value and carrying amounts, excluding deferred financing costs, of the 2013 Convertible Notes as at September 30, 2010 were $388,341,000 and $299,531,000, respectively [December 31, 2009 – $407,747,000 and $289,560,000, respectively]. The fair value and carrying amounts, excluding deferred financing costs, of the 2016 Convertible Notes as at September 30, 2010 were $492,200,000 and $376,903,000, respectively [December 31, 2009 – $502,838,000 and $369,306,000, respectively].

Foreign currency swap contract and convertible bonds

The Company uses financial instruments, including variable rate debts, to finance its operations and to manage risks associated with its interest rate risk. With respect to the 2011 Senior Notes, the Company previously entered into a currency swap agreement to meet interest payments at $27.4 million per annum. The agreement matured on August 16, 2009. The Company does not otherwise engage in other hedging transactions with respect to its foreign exchange risk or interest rate risk.

Risks arising from financial instruments and risk management

The Company is exposed to various types of market risks, including changes in foreign exchange rates, interest rates and the prices of wood-based products and standing timber, in the normal course of business. The Company's overall risk management program focuses on mitigating these risks on a cost-effective basis. The Company uses derivative financial instruments to reduce its exposure to foreign currency risk associated with its long-term debts. The Company's policy is to use derivatives for managing existing financial exposures and not for trading or speculative purposes.

Exchange Rate Risk

The Company conducts its business primarily in Renminbi, and partly in U.S. dollars and Euro. In the nine months ended September 30, 2010, 77.0% and 23.0% of the revenue from continuing operations were received in Renminbi and U.S. dollars/Euro, respectively. In the nine months ended September 30, 2009, 83.0% and 17.0% of the revenue from continuing operations were received in Renminbi and U.S. dollars/Euro, respectively. It is expected in the future that substantially all of the sales will be received in Renminbi. The majority of the Company's operating expenses are denominated in Renminbi and Hong Kong dollars. The Company translates its results of self-sustaining foreign operations into U.S. dollars using the current rate method. Substantial exposure to currency risk is on its net investment in self-sustaining foreign operations, for which foreign currency translation gains or losses have been recorded under accumulated other comprehensive income.

A portion of the Company's revenue in Renminbi is converted into other currencies to meet financial obligations denominated in currencies other than Renminbi. The Company has a substantial amount of indebtedness denominated in U.S. dollars. Foreign currency based earnings are translated into U.S. dollars each period. As a result, fluctuations in the value of the U.S. dollar relative to other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year over year relative to the overall earnings or financial position of the Company. A fluctuation of +/-1%, provided as an indicative range in currency movement, on financial instruments that are denominated in foreign currency other than U.S. dollars, would, everything else being equal, have an effect on net income after tax and other comprehensive income in the nine months ended September 30, 2010 of approximately $2,114,000 and $Nil, respectively.

Many foreign currency exchange transactions involving Renminbi, including foreign exchange transactions under the Company's capital account, are subject to foreign exchange controls and require the approval of the PRC State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars of the Company's net assets, net profits and any declared dividends. The Company cannot give any assurance that any future movements in the exchange rates of Renminbi against the U.S. dollar and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows.

As of September 30, 2010, the Company had Renminbi denominated bank accounts of RMB589.3 million (equivalent to $87.9 million) [December 31, 2009 – RMB621.2 million, equivalent to $91.0 million], U.S. dollar denominated bank accounts of $671.3 million [December 31, 2009 – $1,071.8 million], Canadian dollar denominated bank accounts of Cdn.$7.8 million (equivalent to $7.6 million) [December 31, 2009 – Cdn.$9.8 million, equivalent to $9.3 million], Hong Kong dollar denominated bank accounts of HK$642.3 million (equivalent to $82.3 million) [December 31, 2009 – HK$4.1 million, equivalent to $0.5 million] and Euro denominated bank accounts of €113,000 (equivalent to $153,000) [December 31, 2009 – €113,000, equivalent to $161,000]. The Company also had U.S. dollar denominated accounts receivable of $92.2 million [December 31, 2009 – $58.2 million] and Renminbi denominated accounts receivable of RMB2,103.0 million (equivalent to $313.8 million) [December 31, 2009 – RMB1,530.1 million, equivalent to $224.1 million].

The Company mainly incurred U.S. dollar denominated debt for capital expenditures primarily relating to the development and acquisition of its forestry plantations and investment in its manufacturing plants. If the U.S. dollar fluctuates against any of these currencies, it would correspondingly affect the repayment costs on these debts.

Credit Risk

The Company is exposed to credit risk with respect to accounts receivable from customers. Accounts receivable from continuing operations as at September 30, 2010 included $155,688,000 due from three customers [December 31, 2009 – $108,327,000 due from three customers] representing 38.3% [December 31, 2009 – 38.4%] of outstanding receivables. The Company undertakes credit evaluations on customers as necessary and has monitoring processes intended to mitigate credit risks and maintain appropriate provisions for potential credit losses. Historically the Company has made arrangements with its debtors to settle accounts payable on behalf of the Company for the purchase of additional standing timber. As at September 30, 2010, $66,269,000 [December 31, 2009 – $9,351,000] or 16.3% [December 31, 2009 – 3.3%] of accounts receivable from continuing operations were aged more than 90 days. The Company has no significant allowance for doubtful accounts as at September 30, 2010.

The Company is exposed to credit risk with respect to cash equivalents and accounts receivable. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

The cash equivalents consist mainly of short-term investments, such as money market deposits. The Company has deposited the cash equivalents in banks that meet the requirements for quality and liquidity as stipulated by the Company's Board of Directors. Management believes the risk of loss to be remote.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. The Company's growth strategy requires significant financial resources which are derived from cash flows provided by operations, additional debt, the issuance of equity or a combination thereof. As at September 30, 2010, the Company was holding cash and cash equivalents of $816,551,000. The Company expects that continued cash flow from operations in 2010 together with the cash and cash equivalents from previous financings will be more than sufficient to fund its requirements for investments in working capital, timber holdings and capital assets.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2010:

	Payment Due by Period				
	Within one year $	In the second and third year $	In the fourth and fifth year $	After the fifth year $	Total $
Bank indebtedness	**122,524**	—	—	—	**122,524**
Accounts payable and accrued liabilities [1][2]	**222,604**	—	—	—	**222,604**
Long-term debts	**87,670**	**345,000**	**432,556**	**460,000**	**1,325,226**
Interest obligations of long-term debts	**86,044**	**155,173**	**75,349**	**23,623**	**340,189**
	518,842	**500,173**	**507,905**	**483,623**	**2,010,543**

(1) Including continuing and discontinued operations.
(2) Excluding provision for tax related liabilities.

Interest Rate Risk

The Company is exposed to interest rate risk resulting from fluctuations in interest rates on its debts, primarily on its bank indebtedness. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings and financial instruments. As at September 30, 2010, $86.6 million or 6.8% of the Company's total debt is subject to variable interest rates. A +/-1% change in interest rates, which is indicative of the change in the prime lending rate over the preceding twelve-month period, would have an impact on income after taxes for the period of approximately $0.6 million. The Company does not currently use any derivative instruments to modify the nature of its debts so as to manage its interest rate risk.

The Company is also exposed to interest rate risk on cash equivalents. The Company does not use financial instruments to mitigate this risk.

Commodity Price Risk

The Company is exposed to fluctuations in the prices of standing timber and wood-based products. The Company imports wood-based products from suppliers outside of China. Such purchases are made at market prices. In addition, all the sales of standing timber and wood-based products are made at market prices. Therefore, fluctuations in the prices of standing timber and wood-based products have a significant effect on the Company's business, results of operations, financial condition and cash flows.

The Company does not enter into any futures contracts to hedge its sales or purchases of standing timber and wood-based products.

18. CAPITAL MANAGEMENT

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

In the management of capital, the Company includes bank indebtedness of $122,524,000, long-term debt of $1,153,973,000 (including short-term portion) and total shareholders' equity of $2,982,911,000. 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 bank credit facilities and senior notes 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 September 30, 2010, the Company has retained earnings of approximately $1,279 million in the PRC which may be restricted.

19. SEGMENTED INFORMATION

The Company's segmented information is presented by industry. In determining the Company's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Company's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Company's industry 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 industry segments. The segments were organized to reflect the Company's role as a key wood fibre supplier and provider of value-added wood products through its manufacturing operations. Summary details of the industry segments are as follows:

[a] the plantation fibre segment engages in the sale of standing timber and harvested logs;

[b] the trading of wood logs segment engages in the sale of domestic and imported wood products; and

[c] the manufacturing segment engages in the sale of manufacturing operations' products and other.

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

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

By Industry Segment

	Three months ended September 30, 2010				
	Plantation Fibre $	Other Fibre $	Manufacturing $	Corporate $	Total $
Revenue					
Sale of standing timber and harvested logs	**474,871**	—	—	—	**474,871**
Trading of imported and domestic wood products and logs	—	**107,603**	—	—	**107,603**
Sale of manufacturing operations' products and other	—	—	**17,016**	—	**17,016**
	474,871	**107,603**	**17,016**	—	**599,490**
Income (loss) from continuing operations before interest, other income, exchange losses and changes in fair value of financial instruments	**217,120**	**1,086**	**(2,648)**	**(20,092)**	**195,466**
Net loss from discontinued operations	—	**(274)**	—	—	**(274)**
Interest income	**20**	**41**	**44**	**1,815**	**1,920**
Interest expense	**258**	**1,191**	**192**	**29,700**	**31,341**
Depreciation and amortization	**48**	**229**	**709**	**201**	**1,187**
Provision for income taxes	**45,255**	**1,599**	**86**	**1,259**	**48,199**
Identifiable assets	**3,445,556**	**504,395**	**244,197**	**613,858**	**4,808,006**
Depletion of timber holdings included in cost of sales	**258,380**	—	—	—	**258,380**
Additions to timber holdings and capital assets	**473,100**	**3,921**	**3,378**	**663**	**481,062**

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

	Three months ended September 30, 2009				
	Plantation Fibre $	Other Fibre $	Manufacturing $	Corporate $	Total $
Revenue					
Sale of standing timber and harvested logs	295,831	—	—	—	295,831
Trading of imported and domestic wood products and logs	—	60,400	—	—	60,400
Sale of manufacturing operations' products and other	—	—	10,731	—	10,731
	295,831	60,400	10,731	—	366,962
Income (loss) from continuing operations before interest, other income, exchange losses and changes in fair value of financial instruments	136,636	86	(548)	(6,456)	129,718
Net loss from discontinued operations	—	(714)	(166)	—	(880)
Interest income	51	67	315	2,147	2,580
Interest expense	248	545	—	16,530	17,323
Depreciation and amortization	104	66	939	51	1,160
Provision for (recovery) of income taxes	9,654	623	(78)	—	10,199
Identifiable assets	2,269,123	127,405	635,879	98,479	3,130,886
Depletion of timber holdings included in cost of sales	151,079	—	—	—	151,079
Additions to timber holdings and capital assets	294,425	184	2,336	248	297,193

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

	Nine months ended September 30, 2010				
	Plantation Fibre $	Other Fibre $	Manufacturing $	Corporate $	Total $
Revenue					
Sale of standing timber and harvested logs	**819,740**	**—**	**—**	**—**	**819,740**
Trading of imported and domestic wood products and logs	**—**	**290,954**	**—**	**—**	**290,954**
Sale of manufacturing operations' products and other	**—**	**—**	**45,569**	**—**	**45,569**
	819,740	**290,954**	**45,569**	**—**	**1,156,263**
Income (loss) from continuing operations before interest, other income, exchange losses and changes in fair value of financial instruments	**408,419**	**8,130**	**(6,462)**	**(33,771)**	**376,316**
Net loss from discontinued operations	**—**	**(809)**	**(161)**	**—**	**(970)**
Interest income	**62**	**64**	**442**	**8,344**	**8,912**
Interest expense	**823**	**2,258**	**525**	**85,619**	**89,225**
Depreciation and amortization	**399**	**375**	**4,229**	**626**	**5,629**
Provision for income taxes	**60,758**	**3,763**	**732**	**1,297**	**66,550**
Identifiable assets	**3,445,556**	**504,395**	**244,197**	**613,858**	**4,808,006**
Depletion of timber holdings included in cost of sales	**395,436**	**—**	**—**	**—**	**395,436**
Additions to timber holdings and capital assets	**1,161,881**	**4,245**	**20,310**	**1,400**	**1,187,836**

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

	Nine months ended September 30, 2009				
	Plantation Fibre $	Other Fibre $	Manufacturing $	Corporate $	Total $
Revenue					
Sale of standing timber and harvested logs	582,697	—	—	—	582,697
Trading of imported and domestic wood products and logs	—	154,929	—	—	154,929
Sale of manufacturing operations' products and other	—	—	30,989	—	30,989
	582,697	154,929	30,989	—	768,615
Income (loss) from continuing operations before interest, other income, exchange losses and changes in fair value of financial instruments	274,531	3,049	(9,664)	(23,806)	244,110
Net loss from discontinued operations	—	(2,118)	(5,649)	—	(7,767)
Interest income	151	504	809	5,296	6,760
Interest expense	680	1,297	550	48,627	51,154
Depreciation and amortization	302	198	2,805	145	3,450
Provision for income taxes	20,912	1,022	41	540	22,515
Identifiable assets	2,269,123	127,405	635,879	98,479	3,130,886
Depletion of timber holdings included in cost of sales	294,716	—	—	—	294,716
Additions to timber holdings and capital assets	706,451	213	9,853	294	716,811

By Geographic Segment

The Company conducts substantially all of its operations in the PRC. During the three months and nine months ended September 30, 2010, sales to customers, including discontinued operations, in the PRC amounted to approximately $594,584,000 [three months ended September 30, 2009 – $365,365,000] and $1,142,767,000 [nine months ended September 30, 2009 – $764,292,000], respectively.

During the three months and nine months ended September 30, 2010, sales to customers in other countries, including discontinued operations, amounted to approximately $4,906,000 [three months ended September 30, 2009 – $2,387,000] and $13,496,000 [nine months ended September 30, 2009 – $5,434,000], respectively.

As at September 30, 2010, all of the Company's timber holdings and approximately $95,471,000 [December 31, 2009 – $76,472,000] of the Company's capital assets were located in the PRC.

[Tabular figures expressed in thousands of United States dollars, unless otherwise indicated] [Unaudited]

20. CAPITAL CONTRIBUTIONS AND COMMITMENTS

Capital contributions and commitments for the Company's principal business activities are as follows:

[a] Capital contributions

As at September 30, 2010, the Company has capital commitments in respect of capital contributions to its PRC wholly owned foreign enterprises of $16,250,000 [December 31, 2009 – $15,450,000].

[b] Capital commitments

As at September 30, 2010, the Company has capital commitments with respect to plantation investment, buildings and plant and machinery of $56,803,000 [December 31, 2009 – $8,703,000].

[c] Purchase commitments

As at September 30, 2010, the Company has purchase commitments mainly regarding logs of $85,697,000 [December 31, 2009 – $26,687,000].

[d] Operating leases

Commitments under operating leases for land and buildings are payable as follows:

	$
Within 1 year	13,143
In the second year	10,501
In the third year	9,757
In the fourth year	8,658
In the fifth year	5,392
Thereafter	141,915
	189,366

[e] Wood fibre

Under the master agreement entered in July 2006 to secure at least 1.5 million m^3 of wood fibre annually over a 12-year period in Inner Mongolia, the Company has acquired 787,208 m^3 of wood fibre as at September 30, 2010.

Under the master agreement entered in July 2010 to secure at least 600,000 m^3 of wood fibre annually for a period no longer than 10 years in Russia, the Company has acquired 72,575 m^3 of wood fibre as at September 30, 2010.

Under the 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 217,031 hectares of plantation trees for $880,358,000 as at September 30, 2010.

Under the master agreement entered in March 2007 to acquire 200,000 hectares of plantation trees over a 10-year period in Yunnan, the Company has acquired 144,206 hectares of plantation trees for $716,376,000 as at September 30, 2010.

Under the 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 126,952 hectares of plantation trees for $646,562,000 as at September 30, 2010.

Under the 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 September 30, 2010.

Under the master agreement entered in June 2009 to acquire between 150,000 to 300,000 hectares of plantation trees over a 3-year period in Jiangxi, the Company has acquired 54,857 hectares of plantation trees for $234,052,000 as at September 30, 2010.

Under the 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 5,626 hectares of plantation trees for $35,099,000 as at September 30, 2010.

21. RELATED PARTY TRANSACTIONS

[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 the executive officers. The consultancy fees incurred for the three months and nine months ended September 30, 2010 amounted to $153,000 [three months ended September 30, 2009 – $153,000] and $459,000 [nine months ended September 30, 2009 – $459,000], respectively and were recorded at an exchange amount as agreed by the related parties.

[b] In addition, as at September 30, 2010, no balance [December 31, 2009 – $6,958,000] was payable for consultancy fees to these related companies. The amount was included in accounts payable and accrued liabilities in the financial statements.

[c] On February 6, 2009, the Company entered into an agreement to acquire 55,000,000 ordinary shares and approximately $21,706,000 (equivalent to approximately HK$167,631,000) 4% secured convertible bonds of Omnicorp from various vendors. Total consideration was approximately $25,775,000 (equivalent to approximately HK$200,631,000). Among the vendors were a director of the Company and an entity controlled by such director, the aggregate value of whose Omnicorp ordinary shares and convertible bonds represented approximately 5.5% of the aggregate value of the overall transaction.

[d] In June 2010, the Company acquired 2,638,469,000 ordinary shares of Greenheart. Total consideration was approximately $33 million. One of the vendors, Forest Operations Limited, which is beneficially owned by a director of the Company owned approximately 5.3% of the ordinary shares of Greenheart sold.

[e] In August 17, Omnicorp, a subsidiary of the Company, issued an aggregate principal amount of $25,000,000 2015 Convertible Notes for gross proceeds of $24,750,000. The sole subscriber to the 2015 Omnicorp Convertible Notes is a company in which a director of the Company has an indirect interest

22. SUBSEQUENT EVENT

On October 21, 2010, the Company completed an offering, on a private placement basis, of an aggregate of $600,000,000 principal amount of guaranteed senior notes (the “2017 Senior Notes”). The 2017 Senior Notes bear interest at a rate of 6.25% per annum, payable semi-annually, and mature on October 21, 2017. The 2017 Senior Notes are guaranteed by several subsidiaries of the Company.

23. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the consolidated financial statements for the nine months ended September 30, 2010.