

2007

Sino-Forest Corporation

March 14, 2008

Ernst & Young LLP
Chartered Accountants

In connection with your audit of the consolidated financial statements of Sino-Forest Corporation (the "Company") as of December 31, 2007 and for year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and your audit was conducted in accordance with Canadian generally accepted auditing standards, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances. It is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of March 14, 2008 which are true to the best of our knowledge and belief:

A. Financial Statements and Financial Records

1. We acknowledge that, as members of management of the Company, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with Canadian generally accepted accounting principles.
2. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
3. As members of management of the Company, we believe that the Company has a system of internal controls adequate to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

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Sino-Forest Corporation

B. Fraud and Error

1. We acknowledge that we are responsible for the design and implementation of internal controls to prevent and detect fraud and error.
2. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud and have determined such risk to be low.

We have no knowledge of any fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements over the preceding three year period. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's consolidated financial statements received in communications from employees, former employees, analysts, regulators, or others. In addition, all "whistle-blower" allegations coming to our attention have been disclosed to you. No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty or integrity of any employee, agent or officer of the Company.

3. We believe that the effects of those unrecorded financial statement misstatements aggregated by you during your audit, as summarized in the accompanying schedule, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, to the extent that audit differences have been subsequently identified in the current period that affect prior year financial statements, we have evaluated the effect of correcting prior year consolidated financial statements and believe that the effects of the unrecorded audit differences are immaterial, both individually and in the aggregate, to the prior year consolidated financial statements taken as a whole.

C. Illegal Acts

1. We are not aware of any illegal or possibly illegal acts, as defined in CICA Handbook Section 5136.

D. Independence and Conflicts of Interest

1. Based on inquiries we have made of our officers, directors, and substantial shareholders, except as described below, we are not aware of any business relationship between any such officer, director, or substantial stockholder (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Entity"), other than one pursuant to which an EY Entity performs professional services. For this purpose, a "substantial shareholder" is a person or entity (excluding mutual funds) that owns five percent or more in the Company.



Sino-Forest Corporation

2. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Company's audit.

E. Completeness of Information

1. We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on December 20, 2007.
2. We also have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
3. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
4. We have disclosed to you all known related parties and related party transactions, including compensation payments, sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.
5. As it relates to share-based payments, we have made available to your representatives all plan documents and data related to granting, vesting, exercising, canceling, and forfeiting share-based payments, including modifications to existing plans or previously granted awards.

F. Recognition, Measurement and Disclosure

1. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the consolidated financial statements are reasonable and appropriate in the circumstances.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.



Sino-Forest Corporation

G. Risks and Measurement Uncertainties

1. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
2. The Company believes that the judgements and estimates used in calculating the income tax provision represent the appropriate likelihood of various outcomes occurring.

H. Ownership of Assets

1. The Company has satisfactory title to all assets appearing in the consolidated balance sheet, and there are no liens or encumbrances on the Company's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the Company has satisfactory title appear in the balance sheets.

I. Receivables and Revenues

1. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet date, goods shipped on consignment or approval, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet date has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable, and (4) collectibility is reasonably assured.
2. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet date in respect of sales and services rendered prior to that date and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that date.
4. We have disclosed to you all sales terms (both express and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.
5. We have adequately disclosed a description of our major revenue generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.
6. We believe that the deposits for the purchase of logs in Inner Mongolia are fully recoverable through future timber purchases.



Sino-Forest Corporation

J. Inventories

1. Inventories were priced at the lower of cost and market as follows:
 - Raw materials and expense materials - at the lower of cost and replacement cost.
 - Work-in-process and finished goods - at the lower of cost (including material and labour costs and overhead costs based on actual rates) and market (i.e., estimated realizable value less costs to complete and sell).

In arriving at such values, full allowance was made for defective, slow-moving, excess, unusable or obsolete stock. Adequate provision has been made for losses under firm purchase commitments for goods for inventory. There have been no reductions of the selling prices of finished goods subsequent to the year end and none are contemplated.

2. Physical counts and measurement of inventories were made by competent employees under the supervision of the management as at the year end, and the quantities were determined by actual count, weight or measurement.
3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at the year end; goods on consignment from others; or goods invoiced to customers.

K. Financial Instruments

The Company has properly classified financial assets with readily determinable fair values as either held for trading, held-to-maturity, loans and receivables or available-for-sale. The Company has the positive intent and ability to hold to maturity all financial assets that are classified as held-to-maturity.

The Company has properly classified financial liabilities with readily determinable fair values as either held for trading or other financial liabilities.

Our valuation methodologies have been consistently applied from period to period and we believe that the methods and significant assumptions used are reasonable, reflect those we believe would be used by market participants, and result in a measure of fair value that is appropriate for financial statement measurement and disclosure purposes. In addition, our disclosures related to fair value measurement are complete and adequate.

L. Long-term Investments

1. These investments are valued at cost.
2. Appropriate loss provisions have been provided in the accounts for any other than temporary declines in the value of investments.
3. All income for the year on the investments has been recorded in the accounts.



Sino-Forest Corporation

M. Investments in Subsidiaries and Affiliates

1. We have appropriately consolidated all entities for which we directly or indirectly have a controlling financial interest.
2. We have appropriately accounted for all freestanding (or embedded) rights and/or obligations to repurchase the shares of a subsidiary that are held by outsiders as a financial liability in accordance with CICA Handbook Section 3061.

N. Variable Interests and Variable Interest Entities

1. We have appropriately identified and disclosed all variable interests and variable interest entities ("VIEs"). The Company has reconsidered the initial determination of whether an entity is a variable interest entity and/or whether it is the variable interest entity's primary beneficiary, as required by Accounting Guideline 15.

O. Deferred Charges

1. We believe that all material expenditures that have been deferred to future periods are recoverable.

P. Property, Plant and Equipment

1. All charges to fixed asset accounts and additions under capital leases during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.
2. All property, plant and equipment sold or dismantled during the year have been properly accounted for in the accounts.
3. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.

Q. Long-Lived Assets

1. Long-lived assets to be held and used, have been reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. Where appropriate under CICA Handbook Section 3063, such assets have been written down to fair value. Our estimates of future cash flows used to assess recoverability of such assets are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition. Assets classified as held for sale under CICA Handbook Section 3475 are measured at the lower of carrying amount or fair value less cost to sell.



Sino-Forest Corporation

R. Events of Default under Debt Agreements

1. No events of default have occurred with respect to any of the Company's debt agreements.

S. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance..
4. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

T. Oral or Written Guarantees

1. There are no oral or written guarantees including guarantees of the debt of others.

U. Share Capital

1. Share capital repurchase options or agreements, or share capital reserved for options, warrants, conversion, or other requirements have been properly recorded or disclosed in the consolidated financial statements.

V. Purchase Commitments

1. At the year end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for



Sino-Forest Corporation

inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).

2. The master purchase timber contracts signed were all for prices that approximated market value at the outset of the contract. The Company has neither the ability nor intention to settle any of these contracts on a net basis.
3. The imported wood log contracts are negotiated in Hong Kong.

W. Employee Future Benefits

1. The Company has no employee future benefits as defined in CICA Handbook Section 3461.

X. Consolidated Accounts and Equity-Accounted Investments

1. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (intercompany profits in inventories and property, plant and equipment, intercompany balances, etc.).
2. The cost of acquisition of investments has been assigned in the financial statements to the purchased assets (including goodwill, after adjustment for minority interest) and liabilities in accordance with their values as at the dates of acquisition.
3. The intercompany loans and current accounts represent a permanent investment in the associated subsidiary.

Y. Segment Information

1. The information about operating segments included in the notes to the consolidated financial statements has been prepared and presented in conformity with CICA Handbook Section 1701. We have appropriately identified our operating segments based on the information used by our chief operating decision maker to evaluate operating performance of and make resource allocation decisions among business units. For reportable operating segments that are the result of the aggregation of multiple operating segments, (1) the aggregation is consistent with the objective of CICA Handbook Section 1701, (2) the aggregated operating segments have similar economic characteristics, and (3) the aggregated operating segments are similar in each of the following areas:
 1. The nature of the products and services
 2. The nature of the production processes



Sino-Forest Corporation

3. The type or class of customer for their products and services
4. The methods used to distribute their products or provide their services
5. If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

Differences between the measurements used in reporting operating segment information and those used in the consolidated financial statements are adequately disclosed in the notes to the financial statements.

Z. Share-Based Payments

1. All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plan from which they were granted.
2. The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.
3. We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA 3870. The assumptions used in fair value measurements made in accordance with CICA 3870, represent our best estimates as of the measurement date of expectations of future conditions.

AA. Discontinued Operations

1. The operations and cash flows of the wood chip line of business have been eliminated from the ongoing operations of the Company as a result of the disposal transaction, and the Company will not have any significant continuing involvement in the operations of the component.
2. No significant events have occurred or circumstances have arisen that would require the reassessment of the classification of the wood chip line of business as discontinued operations.

BB. Use of the Work of a Specialist

1. We agree with the findings of specialists in evaluating the valuation of standing timber and valuation of manufacturing capital assets and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not



Sino-Forest Corporation

give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

CC. Elective Change in Accounting Policy

1. We believe that the recognition and measurement principles of FIN 48 are preferable to the guidance available under Canadian GAAP and provide a more structured framework to account for uncertainties in income tax.

DD. Income Tax Matters

1. We have disclosed to you all significant tax planning strategies that were put in place during the current year or prior years that could materially affect the current year provision for income taxes, or the recorded amount of tax assets or liabilities.
2. We recognize that we are responsible for the Company's compliance with jurisdictional tax laws and regulations that are applicable to it. We have identified and disclosed to your representatives all significant methods of accounting used under the applicable jurisdictional tax laws and regulations that materially affect the determination of financial statement amounts.
3. We have provided you all tax opinions or memoranda of law that serve as support for material tax accruals (including tax uncertainties and determinations of the application of interest and penalties) as well as any tax opinions or memoranda of law that contradicted, or provided lower levels of assurance than, the opinions or memoranda of law ultimately used by the company to support its tax positions.
4. All standing timber sales contracts entered into by Suri-Wood Inc. ("SWI") and Sino-Forest Resources Inc. ("SFRI") have been negotiated and signed in the PRC by Allen Chan, CEO. All contracts related to the acquisition of standing timbers/plantations by SWI and SFRI are negotiated and signed outside of Hong Kong. As well, all imported wood log sales contracts (both purchasing and selling) entered into by SFRI have been negotiated by Alfred Hung, VP of Corporate Finance, by telephone while Alfred Hung is in Hong Kong and signed in Hong Kong by Allen Chan. The instruction with respect to the range of profit margin on the imported wood log sales is given by Allen Chan to Alfred Hung orally in Hong Kong.
5. Contracts and agreements entered into by SWI and SFRI with Authorized Intermediaries ("AI") with respect to the wood chip business including the sale of wood chips are negotiated and signed outside Hong Kong.
6. Management by SWI and SFRI of cash and amounts receivable from Authorized Intermediaries is carried on outside Hong Kong.



Sino-Forest Corporation

7. The Company does not intend to repatriate to Canada earnings of its foreign subsidiaries that exist at December 31, 2007 in the foreseeable future.
8. All or substantially all of the administrative costs incurred by the Company (the legal entity) including investor relation costs relate to stewardship of the Company and its subsidiaries.

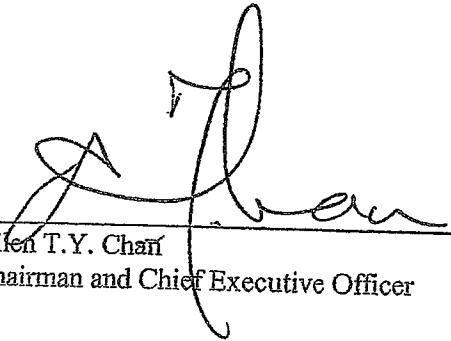
EE. Subsequent Events

1. Subsequent to December 31, 2007, no events or transactions have occurred or are pending that would have a material effect on the consolidated financial statements at that date or for the year then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the consolidated financial statements in order to make them not misleading regarding the consolidated financial position, results of operations, or cash flows of the Company.


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Sino-Forest Corporation


Allen T.Y. Chan
Chairman and Chief Executive Officer

3/14/08
Date


David J. Horsley
Senior Vice President and Chief Financial Officer

3/14/08
Date


Alvin Lim
Vice President Finance and Group Financial Controller

3/14/08
Date

Tom Maradin
Vice President Risk Management

Date



Sino-Forest Corporation

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Vice President Finance and Group Financial Controller

3/14/08
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Tom Maradin
Vice President Risk Management

3/14/08
Date

Printed Time: Wed Mar 05, 2008

Summary of Audit Differences

Client: **Star-Forest, Co.**

Audit Date: **3/12/2007**
 Nominal Amount: **370,000**

Currency: **USD**
 SAD Consultation Limit: **7,400,000**

No.	W/P Ref.	Related Entities	Account	Assets Current	Assets Non-current	Liabilities (Current)	Liabilities (Non-current)	Income / Expenses	Debit/(Credit) Current Period	Debit/(Credit) Prior Period	Non Taxable	Equity
<p>Unrecorded Audit Differences:</p> <p>Unrecorded Errors:</p>												
1	UC-01-SL	SFC	To reverse over-recognition of interest income in 2007 re Mandira loan Adjustment: Equity						900,000		No	(900,000)
2	UB-01-SL	SFC	Adjustment: Interest Income To account for under-recognition of realized foreign exchange gains Adjustment: Cash	1,284,000					(1,284,000)		No	
3	E-04-AMER	Shinwhi	Adjustment: Exchange Gains Being adjustment of sales cut-off error by the end of Dec 31, 2007. Adjustment: Accounts receivable	1,619,560		(499,476)			895,615		No	
4	UA-03	Shinwhi	Adjustment: Cost of sales Adjustment: Inventory Adjustment: Sales Being adjustment of sales cut-off of opening balance as at Dec 31, 2006. Adjustment: Cost of sales						(1,619,560)	1,890,936	No	(697,195)
5	UA-02-SL	JF	Adjustment: Retained Earning Adjustment: Sales Being adjustment of under accrued consumption tax and sales rebate in 2006 but recorded in 2007 Adjustment: Retained Earning				(461,000)			(2,586,131)	No	
6	SFC		To reverse understatement of derivative loss (2006 amount corrected in 2007) Adjustment: Loss on PV of derivative instrument Adjustment: Retained Earning	2,507,423	0	(499,476)	0		594,000		No	(594,000)
<p>Balance Sheet Totals</p> <p>Financial Statement Amounts</p> <p>Effect of unrecorded audit differences on F/S amounts</p> <p>Income effect of unrecorded audit differences (before tax)</p> <p>Memo: Non-taxable items (marked 'Yes' above)</p> <p>Less: Tax effect at current year marginal rate</p> <p>Cumulative effect of unrecorded audit differences before turn-around effect</p> <p>Turn-around effect of prior-period unrecorded audit differences (after tax)</p> <p>Cumulative effect of unrecorded audit differences, after turn-around effect</p> <p>Current year net income</p>												
				527,028,000	0	137,003,000	0		(974,945)			(1,730,195)
				0.48%	0.00%	-0.25%	0.00%			(697,195)		1,187,298,000
										0		-0.15%
										0		
										0		
										(697,195)		
										697,195		
										(277,750)		
										100.00%		
										132,279,000		

2008



Sino-Forest Corporation

March 16, 2009

Ernst & Young LLP
Chartered Accountants

In connection with your audit of the consolidated financial statements of Sino-Forest Corporation (the "Company") as of December 31, 2008 and 2007, and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles.

We understand that the purpose of your audits of our financial statements is to express an opinion thereon and your audits were conducted in accordance with Canadian generally accepted auditing standards, which involve an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances. It is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of March 13 2009, which are true to the best of our knowledge and belief:

Financial statements and financial records

1. We acknowledge that, as members of management of the Company, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with Canadian generally accepted accounting principles.
2. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
3. As members of management of the Company, we believe that the Company has a system of internal controls adequate to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

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E-mail: info@sinoforest.com

MAR 16 2009

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Sino-Forest Corporation

Fraud and error

1. We acknowledge that we are responsible for the design and implementation of internal controls to prevent and detect fraud and error.
2. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud and have determined such risk to be low.

We have no knowledge of any fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's consolidated financial statements received in communications from employees, former employees, analysts, regulators, or others. In addition, all "whistle-blower" allegations coming to our attention have been disclosed to you. No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty or integrity of any employee, agent or officer of the Company.

3. We believe that the effects of those unrecorded financial statement misstatements aggregated by you during your audit, as summarized in the accompanying schedule, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, to the extent that audit differences have been subsequently identified in the current period that affect prior year financial statements, we have evaluated the effect of correcting prior year consolidated financial statements and believe that the effects of the unrecorded audit differences are immaterial, both individually and in the aggregate, to the prior year consolidated financial statements taken as a whole.

Illegal acts

1. We are not aware of any illegal or possibly illegal acts, as defined in CICA Handbook Section 5136.

Independence

1. Based on inquiries we have made of our officers, directors, and substantial shareholders, we are not aware of any business relationship between any such officer, director, or substantial stockholder (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Entity"), other than one pursuant to which an EY Entity performs professional services. For this purpose, a "substantial shareholder" is a person or entity (excluding mutual funds) that owns five percent or more in the Company.
2. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Company's audit.



Sino-Forest Corporation

Conflicts of interest

1. There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business that would be considered a "conflict of interest." Such an interest would be contrary to Company policy.

Completeness of information

1. We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on January 19, 2009.
2. We also have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
3. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
4. We have disclosed to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.
5. As it relates to share-based payments, we have made available to your representatives all plan documents and data related to granting, vesting, exercising, cancelling, and forfeiting share-based payments, including modifications to existing plans or previously granted awards.

Recognition, measurement and disclosure

1. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the consolidated financial statements are reasonable and appropriate in the circumstances.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.



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Risks and measurement uncertainties

1. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
2. The Company believes that the judgements and estimates used in calculating the income tax provision represent the appropriate likelihood of various outcomes occurring.

Ownership of assets

1. The Company has satisfactory title to all assets appearing in the consolidated balance sheet, and there are no liens or encumbrances on the Company's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the Company has satisfactory title appear in consolidated the balance sheet.

Receivables and revenues

1. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet date, goods shipped on consignment or approval, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet date has been realized or is realizable and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable, and (4) collectibility is reasonably assured.
2. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet dates in respect of sales and services rendered prior to that those dates and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that date.
3. We have disclosed to you all sales terms (both express and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.
4. We have adequately disclosed a description of our major revenue generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.
5. We believe that the \$0.5 million deposits for the purchase of logs paid to Inner Mongolian Forest and Timber Resources Company Limited and \$9.5 million deposit paid to Elderbridge Ltd. are fully recoverably through future timber purchases and cash refund.

4



Sino-Forest Corporation

6. We are not aware of any indication of impairment on the subordinated loan due from Mandra Forestry Holdings Limited.
7. During the year, settlements of trade receivables by the customers totalling US\$569 million were made by way of making direct payments on behalf of the Suri-Wood Inc. ("SWI"), Sino-Panel (Yunnan) Limited ("SP Yunnan") and Sino-Forest Resources Inc. ("SFR" to the plantation owners in relation to the purchases of tree plantations. We confirm that these fund redirection transactions were genuine and complete.
8. During the year, trade receivables of US\$60.3 million were settled through cash deposits credited directly to bank accounts of the Sino-Forest Resources Inc. by the remitting agents of the customers, which are not related parties to the Company or to the management or officers of the Company as listed below:

Name of Remitting Agents		USD '000
Winner Max Int'l Ltd.	\$	14,866
Suifenhe Longjiang Shanglian Co.,Ltd	\$	1,002
Imported and Exported Timber Exchang	\$	1,749
Sino Richly International Ltd.	\$	14,194
Lifan Trading Ltd.	\$	18,033
Marubeni Corporation	\$	21
Oji Forest & Products Co., Ltd.	\$	8
Unnamed agents	\$	10,468
	\$	60,341

Inventories

1. Inventories were priced at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
 - Raw materials and expense materials - at the lower of cost and replacement cost.
 - Work-in-process and finished goods - at the lower of cost (including material and labour costs and overhead costs based on actual rates) and net realizable value.

In arriving at such values, full allowance was made for defective, slow-moving, excess, unusable or obsolete stock. Adequate provision has been made for losses under firm purchase commitments for goods for inventory. There have been no reductions of the selling prices of finished goods subsequent to the year end and none are contemplated.

2. Physical counts and measurement of inventories were made by competent employees under the supervision of the management as at the year end, and the quantities were determined by actual count, weight or measurement.



Sino-Forest Corporation

3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at the year end; goods on consignment from others; or goods invoiced to customers.

Financial instruments

1. The Company has properly classified financial assets with readily determinable fair values as either held for trading, held-to-maturity, loans and receivables or available-for-sale. The Company has the positive intent and ability to hold to maturity all financial assets that are classified as held-to-maturity.
2. The Company has properly classified financial liabilities with readily determinable fair values as either held for trading or other financial liabilities.
3. Our valuation methodologies have been consistently applied from period to period and we believe that the methods and significant assumptions used are reasonable, reflect those we believe would be used by market participants, and result in a measure of fair value that is appropriate for financial statement measurement and disclosure purposes. In addition, our disclosures related to fair value measurement are complete and adequate.

Arrangements with financial institutions

1. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the consolidated financial statements.

Long-term investments

1. These investments are valued at cost.
2. Appropriate loss provisions have been provided in the accounts for any other than temporary declines in the value of investments.
3. All income for the year on the investments has been recorded in the accounts.
4. The cost method is used to account for the Company's investment in the share capital of Greenheart Resources Holdings Limited as such investment does not have a quoted market price and the Company does not have the ability to exercise significant influence over the investee's operating and financial policies.

Investments in subsidiaries and affiliates

1. We have appropriately consolidated all entities for which we directly or indirectly have a controlling financial interest.



Sino-Forest Corporation

2. We have appropriately accounted for all freestanding (or embedded) rights and/or obligations to repurchase the shares of a subsidiary that are held by outsiders as a financial liability in accordance with CICA Handbook Section 3863.

Variable interests and variable interest entities

1. We have appropriately identified variable interest entities (VIEs) and disclosed all variable interests in VIEs. The Company has considered its related parties and de factor agents in making the determination as to whether a VIE should be consolidated. The Company has reconsidered the initial determination of whether an entity is a VIE and/or whether it is the VIE's primary beneficiary, as required by Accounting Guideline 15.

Deferred charges

1. We believe that all material expenditures that have been deferred to future periods are recoverable.

Property, plant and equipment and assets under capital leases

1. All charges to fixed asset accounts and additions under capital leases during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.
2. All property, plant and equipment sold or dismantled and all capital lease terminations during the year have been properly accounted for in the accounts.
3. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.

Long-lived assets to be held and used, including amortizable intangible assets

1. Long-lived assets to be held and used, including intangible assets that are subject to amortization, have been reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. Our estimates of future cash flows used to assess recoverability of such assets are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition. Where appropriate under CICA Handbook Section 3063, such assets have been written down to fair value.



Sino-Forest Corporation

2. Subsequent to the year end, the Company finalized an agreement to sell the particleboard production lines located in Gaoyao, the People's Republic of China (the "PRC"), for approximately \$29.7 million (included relevant sales tax). The agreement has been approved by the Board of Directors. As a result, the particleboard production lines were written down to the amount equal to the selling price less cost to sell, being approximately \$26 million as of December 31, 2008.
3. Further, the Company is negotiating with the buyer of the particleboard production lines for leasing the land and building in existing Gaoyao manufacturing facility. Therefore, we do not believe there are any indicators of impairment on the remaining assets, other than the particleboard production machinery and equipment, in the Gaoyao manufacturing facility as of December 31, 2008.

Events of default under debt agreements

1. No events of default have occurred with respect to any of the Company's debt agreements.

Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.
4. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.
5. The Company addressed the corporate governance allegation raised by a shareholder in 2004 and an investigation was carried out by a Special Committee appointed by the Board of Directors. The investigation was completed in September 2004 and the allegation was determined to be without merit. The Company believed that no litigation will be commenced by the shareholder that initiated the allegation. The Company has never received other correspondence from the said shareholder other than the initial corporate governance allegation issued in 2004.



Sino-Forest Corporation

6. We consider the notice of court hearing dated January 19, 2009 received by Sino-Panel (Guangzhou) Trading Company Limited ("SP Guangzhou") in relation to the acquisition of a private entity in the PRC by Sino-Panel (Fujian) Company Limited has been improperly brought against SP (Guangzhou). Given the amount of the legal claim is immaterial, we consider it is appropriate to not disclose this litigation in the consolidated financial statements.
7. The potential severance payment and penalty, if any, calculated pursuant to the applicable PRC Labour Law and payable to employees who may be laid off as a result of the sale of the particleboard production lines in Gaoyao, is insignificant as of December 31, 2008.

Oral or written guarantees

1. There are no oral or written guarantees including guarantees of the debt of others.

Share capital

1. Share capital repurchase options or agreements, or share capital reserved for options, warrants, conversion, or other requirements have been properly recorded or disclosed in the consolidated financial statements.

Purchase commitments

1. At the year end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).
2. The master purchase timber contracts signed were all for prices that approximated market value at the outset of the contract. The Company has neither the ability nor intention to settle any of these contracts on a net basis.
3. The decision on entering into the imported wood log transactions and the signing of sales and purchase of wood log contracts for Sino-Forest Resources Inc. are all in Hong Kong.

Employee future benefits

1. The Company does not have employee future benefits as defined in CICA Handbook Section 3461.



Sino-Forest Corporation

Consolidated accounts

1. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (intercompany profits in inventories and property, plant and equipment, intercompany balances, etc.).
2. The cost of acquisition of investments has been assigned in the financial statements to the purchased assets (including goodwill, after adjustment for minority interest) and liabilities in accordance with their values as at the dates of acquisition.

Segment information

1. The information about operating segments included in the notes to the consolidated financial statements has been prepared and presented in conformity with CICA Handbook Section 1701. We have appropriately identified our operating segments based on the information used by our chief operating decision maker to evaluate operating performance of and make resource allocation decisions among business units. For reportable operating segments that are the result of the aggregation of multiple operating segments, (1) the aggregation is consistent with the objective of CICA Handbook Section 1701, (2) the aggregated operating segments have similar economic characteristics, and (3) the aggregated operating segments are similar in each of the following areas:

- (a) The nature of the products and services
- (b) The nature of the production processes
- (c) The type or class of customer for their products and services
- (d) The methods used to distribute their products or provide their services
- (e) The nature of the regulatory environment.

Differences between the measurements used in reporting operating segment information and those used in the consolidated financial statements are adequately disclosed in the notes to the financial statements.

Share-based payments

1. All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plan from which they were granted.
2. The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA Handbook Section 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding

10



Sino-Forest Corporation

obligations, penalties and interest, as appropriate, under the applicable accounting standards.

3. We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA Handbook Section 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA Handbook Section 3870. The assumptions used in fair value measurements made in accordance with CICA Handbook Section 3870, represent our best estimates as of the measurement date of expectations of future conditions.

Derivative financial instruments

The Company has one currency SWAP contract which is held for trading purpose.

The Company's records reflect all transactions involving derivative financial instruments, all embedded derivatives have been identified and the assumptions and methodologies used in the valuation models applied to derivative financial instruments are reasonable. All transactions involving derivative financial instruments have been conducted at arm's length and at fair values.

Use of the work of a specialist

When the company has used the work of a specialist, the following representation is included:

We agree with the findings of specialists in evaluating the valuation of standing timber and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Transaction gains and losses attributable to intercompany transactions

Transaction gains and losses attributable to intercompany foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) have been reported in other comprehensive income. Transaction gains and losses attributable to other intercompany foreign currency transactions have been included in net income for the period in which the exchange rates change.



Sino-Forest Corporation

Effects of new accounting principles

We have not completed the process of evaluating the effects that will result from adopting CICA Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, Section 1602 Non-Controlling Interests and EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, as discussed in Note 2. The Company is therefore unable to disclose the effects that adopting Section 1582, Section 1601, Section 1602 and EIC 173 will have on its financial position and the results of its operations when such Section is adopted.

Income Tax Matters

1. We have disclosed to you all significant tax planning strategies that were put in place during the current year or prior years that could materially affect the current year provision for income taxes, or the recorded amount of tax assets or liabilities.
2. We recognize that we are responsible for the Company's compliance with jurisdictional tax laws and regulations that are applicable to it. We have identified and disclosed to your representatives all significant methods of accounting used under the applicable jurisdictional tax laws and regulations that materially affect the determination of financial statement amounts.
3. We have provided you all tax opinions or memoranda of law that serve as support for our assessment of material tax positions (including tax uncertainties and determinations of the application of interest and penalties) as well as any tax opinions or memoranda of law that contradicted, or provided lower levels of assurance than, the opinions or memoranda of law ultimately used by the company to support its tax positions.
4. In the books of companies incorporated in the British Virgin Islands at the consolidation level, Sino-Forest (China) Investment Inc. ("SFCI") has a payable of USD50.78million (i.e. RMB347,038,395) to SFR which has been outstanding for over two years as of December 31, 2008 and a receivable of USD49.13million (i.e. RMB335,814,050) from SWI. The cash flow into SFCI in RMB was generated by SFR's operation of standing timber sales in the PRC, and then such RMB cash was paid on behalf of SWI to the forestry owner in the PRC for purchasing forestry by SWI. As such, SFR was lending money of USD49.13million to SWI and SFCI was a payment agent in this regard.

In the local books of SFCI, there has been no accounting entries/record showing the payable of USD50.78million to SFR. There is no evidence in the audited financial statements, in the related party transaction forms of annual Corporate Income Tax return, in the annual foreign exchange inspection report or in other documents of SFCI which could have suggested the existence of such USD50.78million payable to SFR by SFCI.

The books of BVI companies and consolidated accounts as of December 31, 2008 will be amended to correct the accounting mistake and reflect that SFR has lent USD49.13million to SWI and USD1.65million to SFCI.



Sino-Forest Corporation

5. All standing timber sales contracts entered into by SWI and SP Yunnan have been negotiated and signed by Allen Chan, CEO, in the PRC.
6. The decision on all imported wood log sales transactions conducted by SFR, and the signing of all imported wood log sales and purchases have been done by Allen Chan, CEO, in Hong Kong. The instruction with respect to the range of profit margin on the imported wood log sales is given by Allen Chan to Alfred Hung verbally in Hong Kong.
7. Contracts and agreements entered into by SWI and SFR with Authorized Intermediaries ("AI") with respect to the wood chips business including the sale of wood chips, while that business was carried on, were negotiated and signed outside Hong Kong.
8. Management by SWI and SFR of cash and amounts receivable from Authorized Intermediaries is carried on outside Hong Kong.
9. The Company does not intend to repatriate to Canada earnings of its foreign subsidiaries that exist at December 31, 2008 in the foreseeable future.
10. All or substantially all of the administrative costs incurred by the Company (the legal entity) including investor relation costs relate to stewardship of the Company and its subsidiaries.

Subsequent events

1. Subsequent to December 31, 2008, no events or transactions, except for the investment in the shares and convertible bonds of Omnicorp Limited and the disposal of particleboard production lines located in Gaoyao, the PRC, have occurred or are pending that would have a material effect on the consolidated financial statements at that date or for the period then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the consolidated financial statements in order to make them not misleading regarding the consolidated financial position, results of operations, or cash flows of the Company.

Comparative figures

1. In connection with your audit of the comparative consolidated financial statements for the year ended December 31, 2008, we represent, to the best of our knowledge and belief, the following:

There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended December 31, 2007, which are shown as comparative amounts in the financial statements for the year ended December 31, 2008. Any differences in the comparative amounts from the amounts in the financial statements for the year ended December 31, 2007 are solely the result of reclassifications for comparative purposes.

13



Sino-Forest Corporation

Allen T.Y. Chan
Chairman and Chief Executive Officer

16 MAR 2009

Date

David J. Horsley
Senior Vice President and Chief Financial Officer

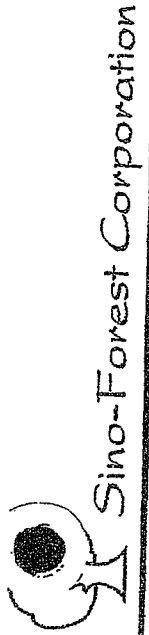
16 MAR 2009

Date

Thomas Maradin
Vice President Risk Management

16 MAR 2009

Date



Summary of Audit Differences

Client: Sino-Forest Corporation		Audit dates: 31-Dec-2008		Currency: USD							
All identified audit differences above nominal amount											
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Income Effect of Correcting the Balance Sheet as of the End of the:	Non Taxable	Prior period Debt/(Credit)	Non Taxable	Other - Specific Debt/(Credit)
		(Audit differences are recorded as journal entries and description of the entry)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Current period Debt/(Credit)				
1	JF (P14) U43	Dr. Acc Receivable Cr. Revenue (To record understatement in project revenue based on % completion of method using actual cost and total estimated project cost)	1,058,141				(1,058,141)				
2	SP Yunnan (B23) VE	Dr. Opening retained earnings Cr. AOCI (To record the effect of functional currency change for SP Yunnan)			(940,000)		940,000	X			411,941 (411,941)
3	SF China Investment	Dr. Income Tax Expense Cr. Accrued Liabilities (Income tax expense on payable outstanding for more than 2 years)									
4	SFC (C01) III	Dr. Interest Expenses Cr. Long-term Prepayment (To adjust for the difference between face value and present value for prepayment with 10%)		(630,000)			630,000				
5	JF (P14) VB	Dr. Social Benefit Expense Cr. Other Liability (To record the underpaid social benefit)			(465,773)		465,773				
6	SFR	Dr. Retained Earnings Cr. Income tax expense Cr. Accrued Liabilities (Penalty on non-filing of imported log income)			(1,300,000)		1,300,000	X			2,300,000
7	SP Guangxi	Dr. Income Tax Expenses Cr. Income Tax Payable (Being deferred tax on foreign exchange gain)			(230,000)		230,000	X			
8	Gao920	Dr. Impairment Loss Cr. Capital Assets (Impairment of particleboard and lamination lines in Gao920)		(3,700,000)			3,700,000				

Sino-Forest Corporation

No.	W/P ref.	Account	Analysis of audit differences				Income Effect of Correcting the Balance Sheet at the End of the		Other - Specify
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Current period	Prior period	
Unrecorded Audit Differences:		(Audit differences are recorded as journal entries and description of the entry)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non Taxable	Debit/(Credit)	
9	SFC (C01) VD	Dr. Retained Earnings Cr. Donation Expenses (F07 donation expenses were recorded in F08)				(721,137)		721,137	
10	JF (F14) F6	Dr. Inventory Impairment Loss Cr. Provision for Inventory Impairment (Inventory cost recorded is higher than net realizable value)	(225,520)			225,520			
11	Jianu (F16) F4	Dr. Inventory Impairment Loss Cr. Provision for Inventory Impairment (Inventory cost recorded is higher than net realizable value)	(250,089)			250,089			
Turnarounds from 2007:									
12		Sales cut off error at Dec 31, 2007 where 2007 P/L was understated as a result					(723,945)		
13		Exchange gains					(3,284,000)		
Balance sheet totals			582,523	(4,200,000)	(2,655,773)	0		3,021,137	
Financial statement amounts			759,859,000	1,820,055,000	(265,478,000)	(719,682,000)		(1,598,764,000)	
Effect of unrecorded audit differences on F/S amounts			0.07%	-0.23%	0.95%	0.08%		-0.19%	
Income effect of unrecorded audit differences (before tax)									
Items: Non-taxable items (marked 'X' above)									
Less: Tax effect at current year marginal rate			25,00%						
Cumulative effect of unrecorded audit differences before turn-around effect						3,252,114			
Turn-around effect of prior-period unrecorded audit differences (after tax)						(945,529)			
Cumulative effect of unrecorded audit differences, after turn-around effect						2,406,586			
Current year net income						1,505,959			
Judgmental differences:						0			
All errors:						1,505,959			
Judgmental differences:						1,71%			
Total						3,912,545			
Total						228,559,000			

March 31, 09



Sino-Forest Corporation

March 31, 2009

Ernst & Young LLP
Chartered Accountants

In connection with the Sino-Forest Corporation's (the "Company") consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the years then ended included in the Company's annual report for the year ended December 31, 2008 to be filed with the Canadian securities regulatory authorities on March 31, 2009, and in connection with your consent to the use of your audit report on the abovementioned consolidated financial statements in the annual report, the representations made to you in our letter of March 16, 2008 remain current.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In addition to the foregoing, we also confirm, to the best of our knowledge and belief, the following representations made to you in connection with the procedures performed by you to enable you to provide a written consent.

General

We have responded fully to all inquiries made to us by you during the completion of your procedures.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

The revised unrecorded summary of audit difference for the year ended December 31, 2008 is attached in Appendix I.

Unaudited Financial Information

No consolidated financial statements are available for any period subsequent to December 31, 2008.

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MAR 31 2009

MAR 31 2009



Sino-Forest Corporation

Minutes

The dates of meetings of shareholders, directors, committees of directors and important management committees from January 19, 2009 to the date of this letter are as follows:

Compensation and Nominating Committee - February 5, 2009, March 10, 2009

We have made available to you the minutes of these meetings and such minutes are complete and authentic records of such meetings. The minutes of the above meetings have not yet been completed or circulated to the Board of Directors or the applicable committees for approval. However, in our opinion, the continuous disclosure documents (e.g. press releases, financial statements, MD&A, annual information form, etc.) filed by the Company on SEDAR since January 19, 2009 contain all of the necessary material information discussed at such meetings that is required to be disclosed under Canadian securities legislation.

Contracts

We have made available to you all significant contracts and agreements. We have complied with all aspects of the contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Share-based Payments

All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plans from which they were granted.

The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.

We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA 3870. The assumptions used in fair value measurements made in accordance with CICA 3870, represent our best estimates as of the measurement date of expectations of future conditions.

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MAR 31 2009



Sino-Forest Corporation

Subsequent Events

No events, transactions or changes in accounting policies and presentation have occurred since the date of our previous letter or are pending that would have a material effect on the audited financial statements included in the Company's annual report or that are of such significance in relation to the Company's affairs to require mention in a note to the audited financial statements, in each case in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Company and in accordance with generally accepted accounting principles as of the date of this letter. We have performed procedures to identify subsequent events up to and including March 31, 2009.

Approval of Document

The Annual Report and Annual Information Form have been approved for release by the board of directors of the Company.

Allen T. Y. Chan
Chairman and Chief Executive Officer
Date 31 March 2009

David L. Horsley
Senior Vice President and Chief Financial Officer
Date 3/31/09

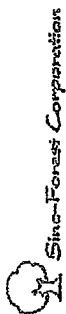
Thomas Maradin
Vice President Risk Management
Date 3/31/09

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MAR 31 2009

Appendix I



Sinc-Forest Corporation

Summary of Audit Differences

Client: Sinc-Forest Corporation

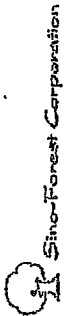
Audit date: 3/1/2009

Currency: USD

No.	Account	Assets		Liabilities		Equity		Balance Sheet		Notes	Prior period	Total	Notes
		Current	Non-current	Current	Non-current	Current	Non-current	Debit (Credit)	Debit (Credit)				
1	W/P ref. - Unrecorded/incorrect entries												
2	Dr. Accounts Receivable Cr. Revenue (To record adjustment in respect to sales on an accrual basis that was not recorded)	1,850,000											
3	Dr. Prepaid Expenses Cr. Accounts Payable (To record the effect of functional currency change for 2008)			840,000									
4	Dr. Income Tax Expense Cr. Income Tax Payable (To record the effect of functional currency change for 2008)					840,000							
5	Dr. Stock Based Compensation Cr. Other Liability (To record the unrecorded stock benefit)							685,775					
6	Dr. Financial Expenses Cr. Financial Expenses (To record the unrecorded financial expenses)							1,200,000					
7	Dr. Income Tax Expense Cr. Income Tax Payable (To record the unrecorded income tax expense)												
8	Dr. Prepaid Expenses Cr. Prepaid Expenses (To record the unrecorded prepaid expenses)												

MAR 31 2009

Appendix I



Sino-Forest Corporation

Summary of Audit Differences

No.	Description of the error	Amount	Currency		USD
			USD	Local	
1	Adjustment of unrecorded assets	1,200,000	1,200,000		1,200,000
2	Adjustment of unrecorded liabilities	(500,000)	(500,000)		(500,000)
3	Adjustment of unrecorded equity	1,500,000	1,500,000		1,500,000
4	Adjustment of unrecorded income	2,000,000	2,000,000		2,000,000
5	Adjustment of unrecorded expense	(3,000,000)	(3,000,000)		(3,000,000)
6	Adjustment of unrecorded tax	1,000,000	1,000,000		1,000,000
7	Adjustment of unrecorded interest	500,000	500,000		500,000
8	Adjustment of unrecorded depreciation	2,500,000	2,500,000		2,500,000
9	Adjustment of unrecorded amortization	1,000,000	1,000,000		1,000,000
10	Adjustment of unrecorded impairment	1,500,000	1,500,000		1,500,000
11	Adjustment of unrecorded provisions	800,000	800,000		800,000
12	Adjustment of unrecorded contingencies	1,200,000	1,200,000		1,200,000
13	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
14	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
15	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
16	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
17	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
18	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
19	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
20	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
21	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
22	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
23	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
24	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
25	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
26	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
27	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
28	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
29	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
30	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
31	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
32	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
33	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
34	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
35	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
36	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
37	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
38	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
39	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
40	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
41	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
42	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
43	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
44	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
45	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
46	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
47	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
48	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
49	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
50	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
51	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
52	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
53	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
54	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
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58	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
59	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
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61	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
62	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
63	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
64	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
65	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
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69	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
70	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
71	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
72	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
73	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
74	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
75	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
76	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
77	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
78	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
79	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
80	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
81	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
82	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
83	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
84	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
85	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
86	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
87	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
88	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
89	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
90	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
91	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
92	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
93	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
94	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
95	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
96	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
97	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
98	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
99	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000
100	Adjustment of unrecorded other	1,500,000	1,500,000		1,500,000

NOTE: From 20 to the consolidated financial statements disclosed as at December 31, 2008, the Company had recorded 7,222 and 75,511 hectares of plantation trees for 2007 and 2008 respectively. Such area is not included in the consolidated financial statements. Such area is not included in the consolidated financial statements and amount by 2,457 hectares and 2.45 million, respectively, for plantations in Hong Kong in connection of year closed area had amount by 2,507 hectares and 2.45 million, respectively for plantations in Guangxi, resulting to an overstatement of assets by 2,507 hectares and 2.45 million, respectively as at December 31, 2008.

MAR 31 2009

2009



Sino-Forest Corporation

March 16, 2010

Ernst & Young LLP
Chartered Accountants

In connection with your audit of the consolidated financial statements of Sino-Forest Corporation (the "Company") as of December 31, 2009 and 2008, and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles.

We understand that the purpose of your audits of our financial statements is to express an opinion thereon and your audits were conducted in accordance with Canadian generally accepted auditing standards, which involve an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances. It is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of March 16, 2010, which are true to the best of our knowledge and belief:

Financial statements and financial records

1. We acknowledge that, as members of management of the Company, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with Canadian generally accepted accounting principles.
2. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
3. As members of management of the Company, we believe that the Company has a system of internal controls adequate to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.



Sino-Forest Corporation

Fraud and error

1. We acknowledge that we are responsible for the design and implementation of internal controls to prevent and detect fraud and error.
2. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud and have determined such risk to be low.

We have no knowledge of any fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's consolidated financial statements received in communications from employees, former employees, analysts, regulators, or others. In addition, all "whistle-blower" allegations coming to our attention have been disclosed to you. No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty or integrity of any employee, agent or officer of the Company.

3. We believe that the effects of those unrecorded financial statement misstatements aggregated by you during your audit, as summarized in the accompanying schedule, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. In addition, to the extent that audit differences have been subsequently identified in the current period that affect prior year financial statements, we have evaluated the effect of correcting prior year consolidated financial statements and believe that the effects of the unrecorded audit differences are immaterial, both individually and in the aggregate, to the prior year consolidated financial statements taken as a whole.

Illegal acts

1. We are not aware of any illegal or possibly illegal acts, as defined in CICA Handbook Section 5136.

Independence

1. Based on inquiries we have made of our officers, directors, and substantial shareholders, we are not aware of any business relationship between any such officer, director, or substantial stockholder (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Entity"), other than one pursuant to which an EY Entity performs professional services. For this purpose, a "substantial shareholder" is a person or entity (excluding mutual funds) that owns five percent or more in the Company.
2. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Company's audit.



Sino-Forest Corporation

Conflicts of interest

1. There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business that would be considered a "conflict of interest." Such an interest would be contrary to Company policy.

Completeness of Information

1. We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on January 25, 2010.
2. We also have made available to you all significant contracts and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
3. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
4. We have disclosed to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.
5. As it relates to share-based payments, we have made available to your representatives all plan documents and data related to granting, vesting, exercising, cancelling, and forfeiting share-based payments, including modifications to existing plans or previously granted awards.

Recognition, measurement and disclosure

1. We believe that the significant assumptions underlying the fair value measurements and disclosures used in the preparation of the consolidated financial statements are reasonable and appropriate in the circumstances.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

Risks and measurement uncertainties

1. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the

3



Sino-Forest Corporation

estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

2. The Company believes that the judgements and estimates used in calculating the income tax provision represent the appropriate likelihood of various outcomes occurring.

Ownership of assets

1. The Company has satisfactory title to all assets appearing in the consolidated balance sheet, and there are no liens or encumbrances on the Company's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the Company has satisfactory title appear in consolidated the balance sheet.
2. The Company has proper titles and rights on all timber holdings as recorded on the consolidated balance sheet as of December 31, 2009. There were no natural disasters with respect to any of the Company's plantations during the year ended December 31, 2009. All timber holdings are fully covered by insurance policies. The Company does not have significant asset retirement obligation on its plantations in the People's Republic of China (the "PRC").

Related party transactions

1. Transactions with related parties, as defined in CICA Handbook Section 3840, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, have been properly recorded and/or disclosed in the consolidated financial statements.
2. Moreover, no related parties have been involved in the settlement process between authorized intermediaries and any subsidiaries of the Company on the balances of accounts receivable and accounts payable. We confirm that these fund redirection transactions were genuine and complete.

Receivables and revenues

1. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet dates, goods shipped on consignment, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet dates has been realized or is realizable and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable, and (4) collectibility is reasonably assured.
2. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet dates in respect of sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at those dates.



Sino-Forest Corporation

3. We have disclosed to you all sales terms (both express and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.
4. We have adequately disclosed a description of our major revenue generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.
5. We are discussing with Inner Mongolian Forest and Timber Resources Company Limited ("IMFT"), Elderbridge Ltd. and its shareholders on a new repayment schedule for the \$0.5 million deposits for the purchase of logs paid to IMFT and \$9.5 million deposit paid to Elderbridge Ltd. We expect these deposits will be fully recoverable by future timber purchases and/or cash refund.
6. We are not aware of any indication of impairment on the subordinated loan and interest receivable from Mandra Forestry Holdings Limited.
7. During the year, settlements of trade receivables by the customers totalling US\$904 million were made by way of making direct payments on behalf of the Sui Wood Inc. ("SWI") and Sino-Forest Resources Inc. ("SFR") to the plantation owners in relation to the purchases of tree plantations. We confirm that these fund redirection transactions were genuine and complete.
8. During the year, trade receivables of US\$120.4 million were settled through cash deposits credited directly to bank accounts of the SFR by the remitting agents of the customers, which are not related parties to the Company or to the management or officers of the Company as listed below:

Name of Remitting Agents		USD '000
Winner Max Int'l Ltd.	\$	34,516,656
Imported and Exported Timber Exchange	\$	999,896
Sino Richly International Ltd.	\$	31,791,019
Lifan Trading Ltd.	\$	40,491,241
Unnamed agents	\$	12,696,444
	\$	<u>120,495,256</u>

Inventories

1. Inventories were priced at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
 - Raw materials and expense materials - at the lower of cost and replacement cost.



Sino-Forest Corporation

- Work-in-process and finished goods - at the lower of cost (including material and labour costs and overhead costs based on actual rates) and net realizable value.

Included in the balance of wood logs, there is approximately \$11 million (9 tons) worth of Hainan Yellow Rose wood logs, which has little movement in the past 2 years. We confirmed that Hainan Yellow Rose is a precious specie and there is no valuation concern. We represented the fair value of the 9 tons of Hainan Yellow Rose wood logs exceeds its carrying value as at the balance sheet date.

In arriving at such values, full allowance was made for defective, slow-moving, excess, unusable or obsolete stock. Adequate provision has been made for firm sales contracts in excess of inventory held and for firm purchase contracts. There have been no reductions of the selling prices of finished goods subsequent to the year end and none are contemplated.

2. Physical counts and measurement of inventories were made by competent employees under the supervision of the management as at the year end, and the quantities were determined by actual count, weight or measurement.
3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at the year end; goods on consignment from others; or goods invoiced to customers.

Financial Instruments

1. The Company has properly classified financial assets with readily determinable fair values as either held for trading, held-to-maturity, loans and receivables or available-for-sale. The Company has the positive intent and ability to hold to maturity all financial assets that are classified as held-to-maturity. The Company has the positive intent and ability to hold to maturity all financial assets that are classified as held-to-maturity.
2. The Company has properly classified financial liabilities with readily determinable fair values as either held for trading or other financial liabilities.
3. Our valuation methodologies have been consistently applied from period to period and we believe that the methods and significant assumptions used are reasonable, reflect those we believe would be used by market participants, and result in a measure of fair value that is appropriate for financial statement measurement and disclosure purposes. In addition, our disclosures related to fair value measurement are complete and adequate.

Arrangements with financial institutions

1. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the consolidated financial statements.



Sino-Forest Corporation

Long-term investments

1. These investments are valued at cost.
2. Appropriate loss provisions have been provided in the accounts for any other than temporary declines in the value of investments.
3. All income for the year on the investments has been recorded in the accounts.
4. The cost method is used to account for the Company's investment in the share capital of Greenheart Resources Holdings Limited ("Greenheart") and Mandra Forestry Holdings Limited as such investments do not have quoted market prices and the Company does not have the ability to exercise significant influence over the investees' operating and financial policies.

Investments in subsidiaries and affiliates

1. We have appropriately consolidated all entities for which we directly or indirectly have a controlling financial interest.
2. We have appropriately accounted for all freestanding (or embedded) rights and/or obligations to repurchase the shares of a subsidiary that are held by outsiders as a financial liability in accordance with CICA Handbook Section 3863.

Variable interests and variable interest entities

1. We have appropriately identified variable interest entities (VIEs) and disclosed all variable interests in VIEs. The Company has considered its related parties and de facto agents in making the determination as to whether a VIE should be consolidated. The Company has reconsidered the initial determination of whether an entity is a VIE and/or whether it is the VIE's primary beneficiary, as required by Accounting Guideline 15.
2. The Company does not have any representation in the board of directors of Omnicorp Limited ("Omnicorp") nor the ability to participate in policy-making process in Omnicorp. As well, the Company does not have special right to appoint a member of the board and they can only nominate individuals to the board which is subject to election by the shareholders of Omnicorp. The Company is not able to exercise significant influence over financing and operating policies of Omnicorp. Further, the Company does not provide or exchange any managerial personnel or provide technical support to Omnicorp. Moreover, the Company does not have the benefit of obtaining financial information other than that available through public sources.

Deferred charges

1. We believe that all material expenditures that have been deferred to future periods are recoverable.



Sino-Forest Corporation

Property, plant and equipment and assets under capital leases

1. All charges to fixed asset accounts and additions under capital leases during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.
2. All property, plant and equipment sold or dismantled and all capital lease terminations during the year have been properly accounted for in the accounts.
3. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.

Long-lived assets to be held and used, including amortizable intangible assets

1. Long-lived assets to be held and used, including intangible assets that are subject to amortization, have been reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. Our estimates of future cash flows used to assess recoverability of such assets are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition. Where appropriate under CICA Handbook Section 3063, such assets have been written down to fair value.
2. Further, the Company entered into lease agreement with the buyer of the particleboard production lines for leasing the remaining undisposed land and building in existing Gaoyao manufacturing facility. We do not believe there is any indicator of impairment on the land and building of the particleboard facility in Gaoyao and the flooring facility in Suzhou, the PRC. We confirm that the Suzhou equipment and machinery are in good condition and expect to operate these equipment and machinery for at least 9 more years from January 1, 2009.

Events of default under debt agreements:

1. No events of default have occurred with respect to any of the Company's debt agreements.

Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting and registration requirements, and there have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of non-

8



Sino-Forest Corporation

compliance.

4. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.
5. The Company has assessed the compliance on the debt covenants related to its long-term debts. The Company determined that it has complied with all debt covenants and there is no default on any of the long-term debts.

Oral or written guarantees

1. There are no oral or written guarantees including guarantees of the debt of others.

Share capital

1. Share capital repurchase options or agreements, or share capital reserved for options, warrants, conversion, or other requirements have been properly recorded or disclosed in the consolidated financial statements.

Purchase commitments

1. At the year end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).
2. The master purchase timber contracts signed were all for prices that approximated market value at the outset of the contract. The Company has neither the ability nor intention to settle any of these contracts on a net basis.
3. The decision on entering into the imported wood log transactions and the signing of sales and purchase of wood log contracts for Sino-Forest Resources Inc. are all in Hong Kong.

Employee future benefits

1. The Company does not have employee future benefits as defined in CICA Handbook Section 3461.



Sino-Forest Corporation

Consolidated accounts

1. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (intercompany profits in inventories and property, plant and equipment, intercompany balances, etc.).
2. The cost of acquisition of investments has been assigned in the financial statements to the purchased assets (including goodwill, after adjustment for minority interest) and liabilities in accordance with their values as at the dates of acquisition.

Segment information

1. The information about operating segments included in the notes to the consolidated financial statements has been prepared and presented in conformity with CICA Handbook Section 1701. We have appropriately identified our operating segments based on the information used by our chief operating decision maker to evaluate operating performance of and make resource allocation decisions among business units. For reportable operating segments that are the result of the aggregation of multiple operating segments, (1) the aggregation is consistent with the objective of CICA Handbook Section 1701, (2) the aggregated operating segments have similar economic characteristics, and (3) the aggregated operating segments are similar in each of the following areas:

- (a) The nature of the products and services
- (b) The nature of the production processes
- (c) The type or class of customer for their products and services
- (d) The methods used to distribute their products or provide their services
- (e) The nature of the regulatory environment.

Differences between the measurements used in reporting operating segment information and those used in the consolidated financial statements are adequately disclosed in the notes to the financial statements.

Discontinued operations

In 2009, all risks and rewards of the particleboard line operation in Gaoyao, the PRC, have been transferred from the Company to the buyer. We have no significant continuing involvement (as defined in Emerging Issues Committee 153 – Applying the Conditions in CICA 3475.27 in Determining Whether to Report Discontinued Operations). The operations and cash flows of particleboard line operation in Gaoyao, the PRC, have been eliminated from the ongoing operations of the Company as a result of the disposal transaction.

The particleboard line is subject to custom duty clearance in the PRC but we expect to recover any

10



Sino-Forest Corporation

costs relating to custom duty clearance from the buyer. We estimated we will incur value-added tax of approximately \$2.6 million relating to the disposal of the particleboard lines based on the proportion of new and used fixed assets on the Company's book and record. We confirmed that no additional expenses are expected to incur on the particleboard line on going forward basis.

We believe the potential severance payment and penalty, if any, calculated pursuant to the applicable PRC Labour Law and payable to employees who may be laid off as a result of the discontinued operation, is negligible as of December 31, 2009.

No significant events have occurred or circumstances have arisen that would require the reassessment of the classification of the discontinued of wood chips business and particleboard line operation as discontinued operations.

Share-based payments

1. All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plan from which they were granted. Delegation of the authority to grant share-based payments is within the Board's legal rights, and in accordance with the terms of the applicable share-based payment plan(s).
2. The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA Handbook Section 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.
3. We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA Handbook Section 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA Handbook Section 3870. The assumptions used in fair value measurements made in accordance with CICA Handbook Section 3870, represent our best estimates as of the measurement date of expectations of future conditions.
4. There are 121,000 stock options granted to Mr. David Horsley with original expiry date on September 9, 2009, and 105,000 stock options granted to Mr. Edmund Mak with original expiry date on May 11, 2009, which are still outstanding at December 31, 2009. The expiry dates of above options were extended because the original expiry dates of these options fell within a blackout period. As a result, pursuant to the terms of the Company's stock option plan, the expiry dates of these options are extended to the 8th business day after the end of the current blackout period which commenced on December 21, 2009.

Derivative financial instruments

The Company has one embedded derivative, being the convertible option of Omnicorp's convertible bonds.

11



Sino-Forest Corporation

The Company's records reflect all transactions involving derivative financial instruments, all embedded derivatives have been identified and the assumptions and methodologies used in the valuation models applied to derivative financial instruments are reasonable. All transactions involving derivative financial instruments have been conducted at arm's length and at fair values.

Use of the work of a specialist

We agree with the findings of specialists in evaluating the valuation of standing timber and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Transaction gains and losses attributable to intercompany transactions

1. Transaction gains and losses attributable to intercompany foreign currency transactions that are of a long-term investment nature (that is, settlement is not planned or anticipated in the foreseeable future) have been reported in other comprehensive income. Transaction gains and losses attributable to other intercompany foreign currency transactions have been included in net income for the period in which the exchange rates change.
2. All subsidiaries are treated as self-sustaining operations since (1) the cash flows, (2) selling prices and markets of the subsidiaries' products, (3) labour, materials and other costs, and (4) the financing of the day-to-day operations of each entity are insulated from the Company. As well, the subsidiaries operate independently in PRC and do not have other significant inter-company transactions with the Company.
3. Inter-company balance mainly included three categories, which are current account, inter-company interest, and inter-company loan. There are no unusual inter-company transactions and all inter-company loans have been properly eliminated. All inter-company loan and inter-company interest are considered net investments in the subsidiaries.

Effects of new accounting principles

We have not completed the process of evaluating the effects that will result from adopting CICA Handbook Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements, and Section 1602 Non-Controlling Interests as discussed in Note 2 to the consolidated financial statements. The Company is therefore unable to disclose the effects that adopting Section 1582, Section 1601 and Section 1602 will have on its financial position and the results of its operations when such Section is adopted.

Income Tax Matters

1. We have disclosed to you all significant tax planning strategies and transactions that were put in

12



Sino-Forest Corporation

place during the current year or prior years that could materially affect the current year provision for income taxes, or the recorded amount of tax assets or liabilities.

2. We recognize that we are responsible for the Company's compliance with jurisdictional tax laws and regulations that are applicable to it. We have identified and disclosed to your representatives all significant methods of accounting used under the applicable jurisdictional tax laws and regulations that materially affect the determination of financial statement amounts.
3. We have provided you all opinions or memoranda of law (tax or other) that serve as support for our assessment of material tax positions (including tax uncertainties and determinations of the application of interest and penalties) as well as any opinions or memoranda of law (tax or other) that contradicted, or provided lower levels of assurance than, the opinions or memoranda of law ultimately used by the company to support its tax positions.
4. All plantation sales contracts entered into by SWI, Sino-Panel (Yunnan) Limited ("SP Yunnan") or other subsidiaries incorporated in the British Virgin Islands (the "BVI Subsidiaries") have been negotiated and signed by Allen Chan, CEO, or other members of management in the PRC. All orders or requests associated with approving sale of the PRC plantation were carried out outside of Hong Kong.
5. The decision on all imported wood log sales transactions conducted by SFR, and the signing of all imported wood log sales and purchases have been done by Allen Chan, CEO, in Hong Kong. The instruction with respect to the range of profit margin on the imported wood log sales is given by Allen Chan to Alfred Hung verbally in Hong Kong.
6. Management of cash and amounts receivable from authorized intermediaries by SWI and SFR is carried on outside Hong Kong.
7. All interest bearing loans made by Hong Kong resident companies are to subsidiaries that do not have bank accounts in Hong Kong.
8. The Company does not intend to repatriate to Canada or PRC earnings of its BVI Subsidiaries that exist at December 31, 2009 in the foreseeable future.
9. We have disclosed to you all tax positions and tax uncertainties that could potentially impact the current year tax provision for income taxes, or the recorded amount of tax assets and liabilities.
10. We have filed all applicable income tax and informational returns required by relevant tax authorities for all material operating subsidiaries in Canada, Hong Kong and the PRC.

Others

1. We have assessed the recoverability of the convertible bonds issued by Omnicorp. We considered the fair value on Greenheart's timber concession rights Greenheart, estimated by

13



Sino-Forest Corporation

Poyry Forestry Industry Pte Ltd. in 2007 is not significantly different than the fair value in 2009. Based on the fair value of Greenheart's timber concession rights, we represented that there is no impairment on the convertible bonds issued by Omnicorp and the deposit of wood logs paid to Greenheart of approximately \$3 million.

2. We represented that the advances to the subsidiaries of Homix Limited of approximately \$4 million as at December 31, 2009 is non-interest bearing, unsecured and repayable on demand. We expect to fully recover the advances in cash in the future.

Value added tax

1. As at December 31, 2009, we have approximately \$19 million balance of value-added tax recoverable relating to the purchase of plantations. We confirm that we will receive valid value-added tax invoices for the whole amount from the vendors in 2010.
2. We also confirm that for the sale of plantations by SWI and SP Yunnan, the authorized intermediaries are fully responsible for the value-added tax on all sale transactions. The Company does not have any financial liability with respect to the value-added tax under the sale of plantation transactions, under the tax regulations or the contractual relationship between SWI and SP Yunnan and the authorized intermediaries that may need to be accrued as at the balance sheet date.

Subsequent events

Except for the subsequent events disclosed in note 24 to the consolidated financial statements, no events or transactions have occurred since December 31, 2009 or are pending that would have a material effect on the consolidated financial statements as of December 31, 2009 and for the year then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Company.

Comparative figures

In connection with your audit of the comparative consolidated financial statements for the year ended December 31, 2009, we represent, to the best of our knowledge and belief, the following:

There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended December 31, 2008, which are shown as comparative amounts in the financial statements for the year ended December 31, 2009. Any differences in the comparative amounts from the amounts in the financial statements for the year ended December 31, 2008 are solely the result of reclassifications for comparative purposes.



Sino-Forest Corporation

Allen T.Y. Chan
Chairman and Chief Executive Officer

16 MAR 2010

Date

David J. Horsley
Senior Vice President and Chief Financial Officer

16 MAR 2010

Date

Thomas Maradin
Vice President Risk Management

16 MAR 2010

Date



Sino-Forest Corporation

Allen T.Y. Chan
Chairman and Chief Executive Officer

16 MAR 2010

Date

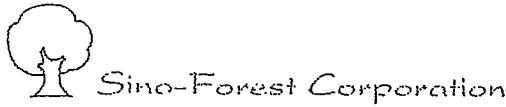
David J. Horsley
Senior Vice President and Chief Financial Officer

Date

Thomas Maradin
Vice President Risk Management

16 MAR 2010

Date



SUMMARY OF UNRECORDED AUDIT DIFFERENCES APPENDIX

Client: Sino-Forest Corporation Audit date: 3/15/2010 Currency: USD

All identified audit differences above nominal amount		Analysis of audit differences Debit/Credit									
No.	WSP ref.	Account (Audit differences are recorded as journal entries and description of the entry.)	Assets		Liabilities		Income Effect of Correcting the Balance Sheet at the end of the year				Others/Specify
			Current	Non-current	Current	Non-current	Current period	Non Taxable	Prior period	Non Taxable	
			Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit	Debit/Credit
Errors											
11	011	Balance Sheet - Current assets						2,000,000			
		Other Assets (SIFT assets)		(2,000,000)							
To record the difference between the tax base and book value of SIFT assets											
12	011	Future Income Tax Assets		(1,325,000)							
		Accrued liabilities									
Being reversal of taxable benefit recognized on tax loss for prior periods											
13	011	Provision for income taxes									
		Accrued liabilities									
Being unrecognized income tax under FASB 109											
14	011	Unearned interest									
		Unearned interest									
Being unearned interest on bank deposits											
15	011	Foreign exchange gains/losses									
		To record the revaluation of the functional exchange rate that should have been recorded in 2009 due to the change in functional currency									
Judgmental Differences											
16	011	Allowance for non-current assets						6,000,000			
		Non-current disposal from US									
Being judgmental difference on the impairment of disposal from US											
17	011	Balance sheet totals	2,221,000	(5,305,000)	(3,220,000)						0
Financial statement amounts											
Effect of unrecorded audit differences on F/S amounts			0.15%	-0.21%	0.83%	0.00%					0.00%
Income effect of unrecorded audit differences (before tax)							6,137,000		6,550,000		
Memo: Non-taxable items (marked 'X' above)											
Less: Tax effect at current year marginal rate											
Cumulative effect of unrecorded audit differences before turn-around effect							2,143,000		6,244,000		
Turn-around effect of prior-period unrecorded audit differences (after tax)											
All errors:							6,244,000		6,244,000		
Judgmental differences:											
Cumulative effect of unrecorded audit differences, after turn-around effect											
Current year net income											22,266,370,000



Sino-Forest Corporation

SUMMARY OF RECORDED AUDIT DIFFERENCES

All identified audit differences above nominal amount		Analysis of audit differences Debit/(Credit)									
No.	W/P ref.	Account (Audit differences are recorded as journal entries and description of the entry.)	Assets		Liabilities		Income Effect of Correcting the Balance Sheet as of the End of the				Other-Specify
			Current	Non-current	Current	Non-current	Current period	Non Taxable	Prior period	Non Taxable	
			Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
		Gain on modification of Convertible Bonds		3,202,000							
		To record the gain on issuance of Convertible Bonds									
		Future Income Tax Liabilities									
		Accrued Interest									
		Retain classification of future income tax liabilities									
		Future Income Tax Liabilities		1,402,000							
		Future Income Tax Assets									
		Being reclassification of tax effect on the gain related to investors' right to convert shares									

**Sino-Forest Corporation**

May 11, 2010

Ernst & Young LLP
Chartered Accountants

In connection with the Sino-Forest Corporation's (the "Company") consolidated balance sheets as at December 31, 2009 and 2008, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the years then ended included in the Company's annual report for the year ended December 31, 2009 to be filed with the Canadian securities regulatory authorities on May 11, 2010, and in connection with your consent to the use of your audit report on the abovementioned consolidated financial statements in the annual report, the representations made to you in our letter of March 16, 2010 remain current.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In addition to the foregoing, we also confirm, to the best of our knowledge and belief, the following representations made to you in connection with the procedures performed by you to enable you to provide a written consent.

General

We have responded fully to all inquiries made to us by you during the completion of your procedures.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Unaudited Financial Information

We recognize that, as members of management of the Company, we are responsible for the preparation and fair presentation of its unaudited consolidated financial statements for the period ended March 31, 2010 made available to you.

MAY 11 2010



Sino-Forest Corporation

Annual Report

We also recognize that, as members of management of the Company, we are responsible for the preparation and fair presentation of the annual report for the year ended December 31, 2009. Such document is prepared in accordance with relevant Canadian securities legislation.

Minutes

The dates of meetings of shareholders, directors, committees of directors and important management committees from January 25, 2010 to the date of this letter are as follows:

Corporate Governance Committee

February 2, 2010 (signed)

Audit Committee

February 2, 2010 (signed)

March 15, 2010 (draft only)

March 25, 2010 (draft only)

Board of Directors

February 1, 2010 (signed)

March 15, 2010 (approved but unsigned)

March 25, 2010 (approved but unsigned)

April 22, 2010 (draft only)

May 2, 2010 (draft only)

We have made available to you the minutes of these meetings and such minutes are complete and authentic records of such meetings.

Contracts

We have made available to you all significant contracts, including amendments, and agreements. We have complied with all aspects of the contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

MAY 11 2010

2



Sino-Forest Corporation

Share-based Payments

All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plans from which they were granted. Delegation of the authority to grant share-based payments is within the Board's legal rights, and in accordance with the terms of the applicable share-based payment plan(s).

The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.

We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA 3870. The assumptions used in fair value measurements made in accordance with CICA 3870, represent our best estimates as of the measurement date of expectations of future conditions.

Subsequent Events

No events, transactions or changes in accounting policies and presentation have occurred since the date of our previous letter or are pending that would have a material effect on the audited financial statements included in the Company's annual report or that are of such significance in relation to the Company's affairs to require mention in a note to the audited financial statements, in each case in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Company and in accordance with generally accepted accounting principles as of the date of this letter. We have performed procedures to identify subsequent events up to and including May 11, 2010.

MAY 11 2010

3



Sino-Forest Corporation

Approval of Document

The Annual Report has been approved for release by the board of directors of the Company.

Allen T. Y. Chan
Date: 11 MAY 2010
Chairman and Chief Executive Officer

David J. Horsley
Date: 11 MAY 2010
Senior Vice President and Chief Financial Officer

Thomas Maradin
Date: 11 MAY 2010
Vice President Risk Management

MAY 11 2010

2010



Sino-Forest Corporation

March 15, 2011

Ernst & Young LLP
Chartered Accountants

In connection with your audit of the consolidated financial statements of Sino-Forest Corporation (the "Company") as of December 31, 2010 and 2009, and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and your audit was conducted in accordance with Canadian generally accepted auditing standards, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances. It is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of financial statement information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, as of March 14, 2011, which are true to the best of our knowledge and belief:

Financial statements and financial records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 7, 2010, for the preparation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles.
2. We acknowledge that, as members of management of the Company, we are responsible for the fair presentation of the consolidated financial statements. We believe the consolidated financial statements referred to above present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with Canadian generally accepted accounting principles.
3. The significant accounting policies adopted in the preparation of the consolidated financial statements are fully and fairly described in the financial statements.
4. As members of management of the Company, we believe that the Company has a system of internal controls adequate to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

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MAR 15 2011

*See for all PPT
Mar 15/11*



Sino-Forest Corporation

5. We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since December 31, 2010.

Fraud and error

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.
2. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud and have determined such risk to be low.

We have no knowledge of any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others, where the fraud could have a non-trivial effect on the consolidated financial statements. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's consolidated financial statements received in communications from employees, former employees, analysts, regulators, or others. In addition, all "whistle-blower" allegations coming to our attention have been disclosed to you. No irregularities or shortages have occurred and nothing has come to light which might reflect upon the honesty or integrity of any employee, agent or officer of the Company.

3. We believe that the effects of those unrecorded financial statement misstatements aggregated by you during your audit, as summarized in the accompanying schedule, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Compliance with laws and regulations

1. We have disclosed to you all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the consolidated financial statements.

Independence

1. Based on inquiries we have made of our officers, directors, and substantial shareholders, except as described below, we are not aware of any business relationship between any such officer, director, or substantial stockholder (or any entity for or of which such an officer or director acts in a similar capacity) and Ernst & Young LLP or any other member firm of the global Ernst & Young organization (any of which, an "EY Firm"), other than one pursuant to which an EY Firm performs professional services. For this purpose, a "substantial shareholder" is a person or entity (excluding mutual funds) that owns five percent or more in the Company.
2. We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Company's audit.

2

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 MAR 15 2011



Sino-Forest Corporation

Conflicts of interest

1. There are no instances where any officer or employee of the Company has an interest in a company with which the Company does business that would be considered a "conflict of interest." Such an interest would be contrary to Company policy.

Completeness of information

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements such as records, documentation and other matters
 - (b) Additional information that you have requested from us for the purpose of the audit
 - (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence
2. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on February 28, 2011.
3. We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
4. There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the consolidated financial statements.
5. We have disclosed to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been properly measured and disclosed in the consolidated financial statements.
6. As it relates to share-based payments, we have made available to your representatives all plan documents and data related to granting, vesting, exercising, cancelling, and forfeiting share-based payments, including modifications to existing plans or previously granted awards.

3

MAY 15 2011

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 E. Mansfield



Sino-Forest Corporation

Recognition, measurement and disclosure

1. We believe that the significant assumptions underlying accounting estimates, including those measured at fair value, disclosures used in the preparation of the consolidated financial statements are reasonable and appropriate in the circumstances.
2. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the consolidated financial statements.

Risks and measurement uncertainties

1. The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
2. The Company believes that the judgements and estimates used in calculating the income tax provision represent the appropriate likelihood of various outcomes occurring.

Ownership of assets

1. The Company has satisfactory title to all assets appearing in the consolidated balance sheet, and there are no liens or encumbrances on the Company's assets, nor has any asset been pledged except as disclosed in the consolidated financial statements. All assets to which the Company has satisfactory title appear in the consolidated balance sheet.
2. The Company has proper titles and rights on all timber holdings as recorded on the consolidated balance sheet as of December 31, 2010. There were no natural disasters with respect to any of the Company's plantations during the year ended December 31, 2010. All timber holdings are fully covered by insurance policies. The Company does not have significant asset retirement obligation on its plantations in the People's Republic of China (the "PRC"), Republic of Suriname and New Zealand.

Related party transactions

1. Transactions with related parties, as defined in CICA Handbook Section 3840, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, have been properly recorded and/or disclosed in the consolidated financial statements.
2. Moreover, no related parties have been involved in the settlement process between authorized intermediaries and any subsidiaries of the Company on the balances of accounts receivable and accounts payable. We confirm that these fund redirection transactions were genuine and complete.

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4

MAR 23 2011

NO
 March 23/11



Sino-Forest Corporation

Receivables and revenues

1. Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the balance sheet date(s), goods shipped on consignment, or other types of arrangements not constituting sales. All revenue recognized as of the balance sheet dates has been realized (or is realizable) and earned. Revenue has not been recognized before (1) persuasive evidence of an arrangement exists, (2) goods have been delivered or services rendered, (3) consideration to be received is fixed or determinable, and (4) collectibility is reasonably assured.
2. Adequate provision has been made for losses, costs, and expenses that may be incurred subsequent to the balance sheet date(s) in respect of sales and services rendered prior to that those dates and for uncollectible accounts, discounts, returns, and allowances, etc., that may be incurred in the collection of receivables at that those dates.
3. We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.
4. We have adequately disclosed a description of our major revenue generating products and services, the types of arrangements (including multiple-element arrangements) used to deliver these products or services, and a description of the revenue recognition policies applicable to these products or services.
5. We have entered into an agreement with Erlianhot Quande Resources Co., Ltd. ("EQRC") to assume the repayment obligation of the US\$10 million deposit previously made to Inner Mongolian Forest and Timber Resources Company Limited ("IMFT"). We expect that EQRC will begin to make payments in May 2011 as stipulated in the new agreement with an effective date on May 25, 2010, and that these deposits will be fully recoverable by future timber purchases and/or cash refund.
6. During the year, settlements of trade receivables by customers totalling US\$1,179 million were made by way of making direct payments on behalf of the Suri-Wood Inc. ("SWI"), Sino-Forest Resources Inc. ("SFR"), Sino-Panel (Yunnan) Limited ("SPYN"), Sino-Wood Trading Limited ("SWT") to the plantation owners in relation to the purchases of tree plantations by other subsidiaries of the Company. We confirm that these fund redirection transactions were genuine and complete. We confirm that we have the ability and rights to request direct cash payment from our customers to the bank accounts operated by the Company.
7. During the year, trade receivables of US\$236 million were settled through cash deposits credited directly to bank accounts of SFR by remitting agents of the customers, which are not related parties to the Company or to the management or officers of the Company as listed below:

10
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Sino-Forest Corporation

Name of Remitting Agents		USD '000
Sino Richly International Ltd.	\$	43,347
Lifan Trading Ltd.	\$	49,522
Recent Fortune Group Ltd.	\$	42,627
Winner Max International Ltd.	\$	49,510
Mighty Eagle Holding Group Ltd.	\$	40,830
Trade Allied International Ltd.	\$	3,153
Others	\$	7,122
	\$	<u>236,111</u>

8. During the year, prepayment contracts were entered by Sino-Panel (Hunan) Forest Management Co, Ltd. with certain local vendors with respect to plantation land lease and plantation purchases. As at December 31, 2010, approximately US\$40 million has been recorded as a prepayment and a corresponding payable as this amount is due for payment according to the contracts. We confirm that such contracts are irrevocable and we are liable to pay this US\$40 million as at December 31, 2010 according to the terms and conditions stipulated in the contracts.

Inventories

1. Inventories were priced at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
- Raw materials and expense materials – at the lower of cost and replacement cost.
 - Work-in-progress and finished goods – at the lower of cost (including material and labour costs and overhead costs based on actual rates) and net realizable value.

Included in the balance of wood logs, there is approximately \$11.8 million (9.5 tons) worth of Hainan Yellow Rose wood logs, which has little movement in the past 3 years. We confirm that Hainan Yellow Rose is a precious specie and there is no valuation concern. We represent the fair value of this 9.5 tons of Hainan Yellow Rose wood logs exceeds its carrying value as at December 31, 2010.

In arriving at such values, full allowance was made for defective, slow-moving, excess, unusable or obsolete stock. Adequate provision has been made for firm sales contracts in excess of inventory held and for firm purchase contracts. There have been no reductions of the selling prices of finished goods subsequent to the year end and none are contemplated.

2. Physical counts and measurement of inventories were made by competent employees under the supervision of the management as at the year end, and the quantities were determined by actual count, weight or measurement.

MAR 28 2011

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Sino-Forest Corporation

- Inventory does not include items not paid for and for which no liability has been recorded in the accounts at the year end; goods on consignment from others; or goods invoiced to customers.

Financial instruments

- The Company has properly classified financial assets with readily determinable fair values as either held for trading, held-to-maturity, loans and receivables or available-for-sale. The Company has the positive intent and ability to hold to maturity all financial assets that are classified as held-to-maturity.
- The Company has properly classified financial liabilities with readily determinable fair values as either held for trading or other financial liabilities.
- Our valuation methodologies have been consistently applied from period to period and we believe that the methods and significant assumptions used are reasonable, reflect those we believe would be used by market participants, and result in a measure of fair value that is appropriate for financial statement measurement and disclosure purposes. In addition, our disclosures related to fair value measurement are complete and adequate.

Arrangements with financial institutions

- Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the consolidated financial statements.

Investments in subsidiaries and affiliates

- We have appropriately consolidated all entities for which we directly or indirectly have a controlling financial interest.
- We have appropriately accounted for all freestanding (or embedded) rights and/or obligations to repurchase the shares of a subsidiary that are held by outsiders as a financial liability in accordance with CICA Handbook Section 3863.

Deferred Charges

We believe that all material expenditures that have been deferred to future periods are recoverable.

Property, plant and equipment and assets under capital leases

- All charges to fixed asset accounts and additions under capital leases during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.

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Sino-Forest Corporation

2. All property, plant and equipment sold or dismantled and all capital lease terminations during the year have been properly accounted for in the accounts.
3. Appropriate rates have been used to depreciate and amortize these assets over our estimation of their useful lives.

Long-lived assets to be held and used, including amortizable intangible assets

1. Long-lived assets to be held and used, including intangible assets that are subject to amortization, have been reviewed for impairment whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. Our estimates of future cash flows used to assess recoverability of such assets are based on reasonable and supportable assumptions regarding the cash flows expected to result from the use of the assets and their eventual disposition. Where appropriate under CICA Handbook Section 3063, such assets have been written down to fair value.
2. We do not believe there is any indicator of impairment on the land and building of the flooring facility in Suzhou and manufacturing facility in Beihai, the PRC.

Events of default under debt agreements

1. No events of default have occurred with respect to any of the Company's debt agreements.

Liabilities and contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.
2. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
3. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.
4. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.
5. We have assessed the compliance on debt covenants related to the Company's long-term debts and have determined that it has complied with all debt covenants and there is no default on any of the long-term debts.

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Sino-Forest Corporation

Homix Acquisition

1. In connection with the acquisition of Homix Limited, we have identified all the assets and liabilities acquired (including intangible assets).
2. We determined that there are no unidentifiable intangible assets such as trademarks, customer list, and supplier list or unfavourable contracts in connection with this acquisition.
3. We determined that the fair values of the assets and liabilities acquired are an accurate and appropriate reflection of the values at the acquisition date.
4. We determined the goodwill on the acquisition of Homix is negligible.

Mandra Acquisition

1. The amount of contingent consideration for the acquisition of Mandra Forestry Holdings Limited ("Mandra") is US\$5 million as we are unable to determine the final amount of contingent consideration without reasonable doubt. No portion of the deferred financing costs relating to the issue of the US\$187,187,000 10.25% senior notes due 2014 contemplates as the transaction cost for the acquisition of Mandra.
2. Pursuant to the sale and purchase agreement with the vendor of Mandra, the Company is not liable and does not have to pay for the capital gain tax which the PRC tax bureau will levy on the vendor. The MC Loan of US\$1 million as stipulated in the MC Loan agreement dated February 5, 2010 and US\$2.75 million of the amount of US\$3.25 million stated in the Fee Arrangement Agreement dated February 5, 2010 represented costs incurred by Mandra before the acquisition on February 5, 2010 and had not been recorded in the books and records of Mandra prior to the acquisition.
3. The fair value of the timber holding of Mandra as of February 5, 2010 is based on a preliminary valuation report conducted by Poyry (Shanghai) Consulting Company Limited ("Poyry"). The fair value of Mandra's timber holding, according to Poyry's report, is RMB 2,108 million, which has been reflected in the preliminary purchase price allocation. We are in the process of obtaining an updated valuation report which we will use in the final purchase price allocation.
4. We believe that Poyry's report did not account for the cash payment on certain areas of the plantations covered by the Poyry report. We estimate that such cash payment is approximately US\$25 million.
5. We determined that there are no unidentifiable intangible assets such as trademarks, customer list, and supplier list or unfavourable contracts in connection with this acquisition.
6. We determined that the fair values of the assets acquired and liabilities assumed are an accurate and appropriate reflection of the fair values at the acquisition date.

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Sino-Forest Corporation

7. We determined there is no goodwill from the acquisition of Mandra.

Greenheart Acquisition

1. The fair value of the timber concession rights of Greenheart Group Limited ("Greenheart") (formerly Omnicorp Limited) as of August 3, 2010 is based on the final valuation report conducted by Poyry. The fair value of Greenheart's timber concession rights, according to Poyry's report, is US\$143 million which has been reflected in the final purchase price allocation.
2. We determined that 10% income tax rate is the applicable tax rate for income generated from forestry business activities conducted in the Republic of Suriname;
3. We determined that there are no unidentifiable intangible assets such as trademarks, customer list, and supplier list or unfavourable contracts in connection with Greenheart acquisition.
4. We determined that the fair values of the assets acquired and liabilities assumed are an accurate and appropriate reflection of the fair values at the acquisition date.
5. We determined there is no goodwill from the acquisition of Greenheart.

Oral or written guarantees

1. There are no oral or written guarantees including guarantees of the debt of others.

Share capital

1. Share capital repurchase options or agreements, or share capital reserved for options, warrants, conversion, or other requirements have been properly recorded or disclosed in the consolidated financial statements.

Purchase commitments

1. At the year end, the Company had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the company (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfillment of, or inability to fulfill, sales commitments, etc.).
2. The master purchase timber contracts signed were all for prices that approximated market value at the outset of the contract. The Company has neither the ability nor intention to settle any of these contracts on a net basis.

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Sino-Forest Corporation

3. The decision on entering into the imported wood log transactions and the signing of sales and purchase of wood log contracts for SFR and SWT are all in Hong Kong.
4. The Company is in the process of revising the contract terms with Trevista International Limited for the 10 year master contract with respect to the supply of Russian logs.

Employee future benefits

1. The Company does not have employee future benefits as defined in CICA Handbook Section 3461.

Consolidated accounts

1. All significant intercompany transactions have been disclosed to you and properly eliminated in the consolidated financial statements (intercompany profits in inventories and property, plant and equipment, intercompany balances, etc.).
2. The cost of acquisition of investments has been assigned in the financial statements to the purchased assets (including goodwill, after adjustment for minority interest) and liabilities in accordance with their values as at the dates of acquisition.

Segment information

1. The information about operating segments included in the notes to the consolidated financial statements has been prepared and presented in conformity with CICA Handbook Section 1701. We have appropriately identified our operating segments based on the information used by our chief operating decision maker to evaluate operating performance of and make resource allocation decisions among business units. For reportable operating segments that are the result of the aggregation of multiple operating segments, (1) the aggregation is consistent with the objective of CICA Handbook Section 1701, (2) the aggregated operating segments have similar economic characteristics, and (3) the aggregated operating segments are similar in each of the following areas:
 - (a) The nature of the products and services
 - (b) The nature of the production processes
 - (c) The type or class of customer for their products and services
 - (d) The methods used to distribute their products or provide their services
 - (e) If applicable, the nature of the regulatory environment, for example, banking, insurance, or public utilities.

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Sino-Forest Corporation

Differences between the measurements used in reporting operating segment information and those used in the consolidated financial statements are adequately disclosed in the notes to the financial statements.

Discontinued operations

1. We note no significant events have occurred or circumstances have arisen that would require the reassessment of the classification of the discontinued of wood chips business and particleboard line operation as discontinued operations.

Share-based payments

1. All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plan from which they were granted. Delegation of the authority to grant share-based payments is within the Board's legal rights, and in accordance with the terms of the applicable share-based payment plan.
2. The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA Handbook Section 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.
3. We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA Handbook Section 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA Handbook Section 3870. The assumptions used in fair value measurements made in accordance with CICA Handbook Section 3870, represent our best estimates as of the measurement date of expectations of future conditions.

Use of the work of a specialist

1. We agree with the findings of specialists in evaluating the valuation of plantation and timber concession and cutting rights, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated financial statements and the underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

Transaction gains and losses attributable to intercompany transactions

1. Transaction gains and losses attributable to intercompany foreign currency transactions that are of a long-term investment nature (that is, settlement is not planned or anticipated in the foreseeable future) have been reported in other comprehensive income. Transaction gains and

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Sino-Forest Corporation

losses attributable to other intercompany foreign currency transactions have been included in net income for the period in which the exchange rates change.

2. All subsidiaries are treated as self-sustaining operations since (1) the cash flows, (2) selling prices and markets of the subsidiaries' products, (3) labour, materials and other costs, and (4) the financing of the day-to-day operations of each entity are insulated from the Company. As well, the subsidiaries operate independently in the PRC and the Republic of Suriname, and do not have other significant inter-company transactions with the Company.
3. Inter-company balance mainly included three categories, which are current account, inter-company interest, and inter-company loan. There are no unusual inter-company transactions and all inter-company loans have been properly elimination. All inter-company loan and inter-company interest are considered net investments in the subsidiaries.

Undistributed earnings of a foreign subsidiary

1. We have the ability and intend to indefinitely reinvest the undistributed earnings of SWI, SFR and SPYN and have appropriately documented such plan of reinvestment. In addition, there are no needs for such earnings that would contradict our plan to indefinitely reinvest.

Income Tax Matters

1. We have disclosed to you all significant tax planning strategies and transactions that were put in place during the current year or prior years that could materially affect the current year provision for income taxes, or the recorded amount of tax assets or liabilities.
2. We recognize that we are responsible for the Company's compliance with jurisdictional tax laws and regulations that are applicable to it. We have identified and disclosed to your representatives all significant methods of accounting used under the applicable jurisdictional tax laws and regulations that materially affect the determination of financial statement amounts.
3. We have provided you all opinions or memoranda of law (tax or other) that serve as support for our assessment of material tax positions (including tax uncertainties and determinations of the application of interest and penalties) as well as any opinions or memoranda of law (tax or other) that contradicted, or provided lower levels of assurance than, the opinions or memoranda of law ultimately used by the company to support its tax positions.
4. All plantation purchase and sales negotiations and execution of related contracts (including approvals associated with purchase orders) by Allen Chan, CEO, or other members of management for SWI, SPYN, and other subsidiaries incorporated in the British Virgin Islands (the "BVI Subsidiaries") are at all times carried out in the PRC and not in Hong Kong. All pricing of timber, quantity approvals, orders or requests associated with approving sale of the PRC plantation were carried out outside of Hong Kong.

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Sino-Forest Corporation

5. The decision on all imported wood log sales transactions conducted by SFR, SWT and Sino-Panel (Russia) Limited and the signing of all imported wood log sales and purchases have been done by Allen Chan, CEO, in Hong Kong. The instruction with respect to the range of profit margin on the imported wood log sales is given by Allen Chan to Alfred Hung verbally in Hong Kong.
6. Management of cash and amounts receivable from authorized intermediaries or other related parties by SWI and SFR is carried on outside Hong Kong.
7. All interest bearing loans made by Hong Kong resident companies are to subsidiaries that do not have bank accounts in Hong Kong.
8. There are no future tax liabilities (other than those reported in the consolidated financial statements) and no debts of PRC entities that are unregistered debts for PRC purposes (other than those identified which aggregate to approximately RMB174.6 million). The future tax rates, amount of tax losses carried forward by each of the subsidiaries of Mandra, and the timeline of selling Mandra's timber, represent our best estimate and assumptions used in the calculations of the future tax liability on the difference between the accounting base and tax base of Mandra's timber holding.

There have been no settlements of loans/advances between Sino-Forest Corporation and its subsidiaries during the fiscal year 2010 that would trigger the change in unrealized foreign exchange gain/loss since December 31, 2009.

9. The Company does not intend to repatriate to Canada or PRC any of the earnings of its BVI Subsidiaries generated from transactions with authorized intermediaries and that exist at December 31, 2010 in the foreseeable future.
10. We have not identified any PRC tax decisions, cases, disclosures, memorandums, circulars, administrative materials and interpretations of PRC laws or regulations in Chinese or English that would materially impact the PRC permanent establishment income tax exposure calculations of the Company for BVI Subsidiaries.
11. We have provided to you all information, agreements and communications related to the tax reporting and remittance obligations on the transactions between the authorized intermediaries and the BVI Subsidiaries.
12. We have disclosed to you all tax positions and tax uncertainties that could potentially impact the current year tax provision for income taxes, or the recorded amount of tax assets and liabilities.
13. We have filed all applicable income tax and informational returns required by relevant tax authorities for all material operating subsidiaries in Canada, Hong-Kong and the PRC.

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Sino-Forest Corporation

Value added tax

1. As at December 31, 2010, we have approximately US\$38 million balance of value-added tax recoverable relating to the purchase of plantations in the PRC. Out of the total balance, certain plantations with an aggregate of US\$6.5 million value-added tax recoverable had been sold during December 31, 2010. We confirm that we will receive valid value-added tax invoices, including the invoices relating to plantations that have been disposed of in 2010, from the vendors in 2011.
2. We also confirm that for the sale of plantations by SWI and SPYN, the authorized intermediaries are fully responsible for the value-added tax on all sale transactions. The Company does not have any financial liability with respect to the value-added tax under the sale of plantation transactions, tax regulations or the contractual relationship between SWI and SPYN and the authorized intermediaries that may need to be accrued as at December 31, 2010. The authorized intermediaries do not have recourse to the Company for any claim/penalty charged by the PRC tax authority on any value-added tax underpaid by the authorized intermediaries.

Subsequent events

1. Other than those disclosed in the consolidated financial statements, subsequent to December 31, 2010, no events or transactions have occurred or are pending that would have a material effect on the consolidated financial statements at that date or for the period then ended, or that are of such significance in relation to the Company's affairs to require mention in a note to the consolidated financial statements in order to make them not misleading regarding the consolidated financial position, results of operations, or cash flows of the Company.

Comparative figures

1. In connection with your audit of the comparative consolidated financial statements for the year ended December 31, 2009, we represent, to the best of our knowledge and belief, the following:

There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended December 31, 2009 which are shown as comparative amounts in the financial statements for the year ended December 31, 2010. Any differences in the comparative amounts from the amounts in the financial statements for the year ended December 31, 2009 are solely the result of reclassifications for comparative purposes.

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Sino-Forest Corporation

[Handwritten signature of Allen T.Y. Chan]

Allen T.Y. Chan
Chief Executive Officer

14 March 2011

Date

[Handwritten signature of David J. Horsley]

David J. Horsley
Senior Vice President and Chief Financial Officer

14 March 2011

Date

[Handwritten signature of Thomas Maradin]

Thomas Maradin
Vice President, Finance

14 March 2011

Date

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Sino-Forest Corporation

Summary of Audit Differences

Client: Sino-Forest Corporation

Audit date: 31-Dec-2010

Currency: US\$

All identified misstatements above nominal amount		Analysis of misstatements (Debit/Credit)				Income effect of Correcting the Balance Sheet as of the end of the:		Other - Specify	
No. ref.	Account description of the entry	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Current period Debit/Credit	Non Taxable	Prior period Debit/Credit	Non Taxable
1	Hol-G1 Discom on non-current deposit		12,459,231			2,459,231	X	2,000,000	X
	Other assets (EORC deposit) To record the difference between the fair value and book value of EORC deposit pursuant to HS2005.								
Judgmental misstatements:									
2	Income tax expense			(7,943,322)		7,943,322	X		
	Income tax liability								
	Understatement of accrued liability on R146 reserves		41,755		(10,443,323)				
	Balance sheet totals	0	41,755		0				
Financial statement amounts		2,079,259,000	3,849,739,000	755,784,000	1,723,598,000				
Effect of uncorrected misstatements on FIS amounts		0.00%	0.00%	1.38%	0.00%				
Income effect of uncorrected misstatements (before tax)						10,401,593		2,000,000	
Memo: Non-taxable items (marked 'X' above)						12,459,231	X	2,000,000	X
Memo: Tax effect at current year marginal rate						0		0	
Cumulative effect of uncorrected misstatements before turnaround effect						10,401,593		2,000,000	
Turnaround effect of prior period uncorrected misstatements (after tax)						(2,000,000)			
All factual and projected misstatements:						8,401,593			
Judgmental misstatements:						2,129			
Cumulative effect of uncorrected misstatements, after turnaround effect						10,401,593		2,000,000	
Current year net income						395,428,000			

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Sino-Forest Corporation

May 9, 2011

Ernst & Young LLP
Chartered Accountants

In connection with the Sino-Forest Corporation's (the "Company") consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the years then ended included in the Company's annual report for the year ended December 31, 2010 to be filed with the Canadian securities regulatory authorities on May 9, 2011, and in connection with your consent to the use of your audit report on the abovementioned consolidated financial statements in the annual report, the representations made to you in our letter of March 15, 2011 remain current.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

In addition to the foregoing, we also confirm, to the best of our knowledge and belief, the following representations made to you in connection with the procedures performed by you to enable you to provide a written consent.

General

We have responded fully to all inquiries made to us by you during the completion of your procedures.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Unaudited Financial Information

No consolidated financial statements are available for any period subsequent to December 31, 2010.

Annual Report

We also recognize that, as members of management of the Company, we are responsible for the preparation and fair presentation of the annual report for the year ended December 31, 2010. Such document is prepared in accordance with relevant Canadian securities legislation.

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Minutes

The dates of meetings of shareholders, directors, committees of directors and important management committees from February 23, 2011 to the date of this letter are as follows:

Audit Committee

March 14, 2011 (approved but unsigned);
March 28, 2011 (draft only);
April 10, 2011 (draft only);

Board of Directors

March 14, 2011 (draft only);
March 28, 2011 (draft only);
April 10, 2011 (draft only);
April 25, 2011 (minutes not yet prepared);

We have made available to you the minutes of these meetings and such minutes are complete and authentic records of such meetings. For the meeting which minutes were not yet prepared, our corporate secretary has discussed with you the purpose of such meeting.

Contracts

We have made available to you all significant contracts, including amendments and agreements. We have complied with all aspects of the contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Share-based Payments

All grants of share-based payments have been properly approved by the Board of Directors or its delegated representatives on or prior to the grant date, and are in compliance with the terms of the plans from which they were granted. Delegation of the authority to grant share-based payments is within the Board's legal rights, and in accordance with the terms of the applicable share-based payment plan(s).

The Company has properly determined the appropriate grant dates or measurement dates for all share-based payments in accordance with CICA 3870. We have recognized compensation cost, as well as liabilities for income taxes, payroll taxes, minimum tax withholding obligations, penalties and interest, as appropriate, under the applicable accounting standards.

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We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA 3870. The assumptions used in fair value measurements made in accordance with CICA 3870, represent our best estimates as of the measurement date of expectations of future conditions.

Subsequent Events

No events, transactions or changes in accounting policies and presentation have occurred since the date of our previous letter or are pending that would have a material effect on the audited financial statements included in the Company's annual report or that are of such significance in relation to the Company's affairs to require mention in a note to the audited financial statements, in each case in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Company and in accordance with generally accepted accounting principles as of the date of this letter. We have performed procedures to identify subsequent events up to and including May 9, 2011.

Approval of Document

The Annual Report has been approved for release by the board of directors of the Company.

Allen T. Y. Chan
Date : May 9, 2011
Chairman and Chief Executive Officer

David J. Horsley
Date : May 9, 2011
Senior Vice President and Chief Financial Officer

Thomas Maradin
Date : May 9, 2011
Vice President, Finance

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Sino-Forest Corporation

We are responsible for the estimation methods and assumptions used in accounting for the Company's share-based payments in accordance with CICA 3870. Fair value and intrinsic value measurements are based on the grant date or measurement date share price as specified in CICA 3870. The assumptions used in fair value measurements made in accordance with CICA 3870, represent our best estimates as of the measurement date of expectations of future conditions.

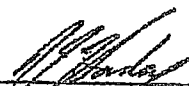
Subsequent Events

No events, transactions or changes in accounting policies and presentation have occurred since the date of our previous letter or are pending that would have a material effect on the audited financial statements included in the Company's annual report or that are of such significance in relation to the Company's affairs to require mention in a note to the audited financial statements, in each case in order to make them not misleading regarding the financial position, results of operations, or cash flows of the Company and in accordance with generally accepted accounting principles as of the date of this letter. We have performed procedures to identify subsequent events up to and including May 9, 2011.

Approval of Document

The Annual Report has been approved for release by the board of directors of the Company.

Allen T. Y. Chan
Date : May 9, 2011
Chairman and Chief Executive Officer



David J. Horsley
Date : May 9, 2011
Senior Vice President and Chief Financial Officer

Thomas Maradin
Date : May 9, 2011
Vice President, Finance

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