

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SINO-FOREST CORPORATION**

AFFIDAVIT OF DANIEL E. H. BACH

I, Daniel E. H. Bach, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am a lawyer in the class actions department of Siskinds LLP ("Siskinds"), co-counsel for the plaintiffs (the "Plaintiffs") in the class proceeding styled *Trustees of the Labourers' Pension Fund of Central and Eastern Canada v Sino-Forest Corporation et al.*, bearing (Toronto) Court File No. CV-11-431153-00CP (the "Ontario Class Action").
2. As such, I have knowledge of the matters to which I hereinafter depose. Where that knowledge is based on information obtained from others, I have so indicated and believe that information to be true.
3. I swear this affidavit in support of the Plaintiffs' motion for an order, *inter alia*, terminating these proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") and appointing a receiver of the assets, undertakings and properties of Sino-



Forest Corporation ("Sino"). No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation or any other privilege.

CLASS ACTION LITIGATION INVOLVING SINO

The Ontario Class Action

Overview of the Ontario Class Action

4. On July 20, 2011, the Trustees of the Labourers' Pension Fund and the Trustees of the International Union of Operating Engineers commenced the Ontario Class Action by way of a notice of action. In addition to Sino, the action names 25 defendants, including Sino's former auditors, various underwriters and a forestry valuation company.
5. By way of a notice of action issued on November 14, 2011, Messers. Grant and Wong commenced an action (the "Grant-Wong Action"), arising out of the same facts, against Sino and certain of the other individual and corporate defendants.
6. On December 13, 2011, the plaintiffs in the Grant-Wong Action filed a statement of claim.
7. On January 6, 2012, the Honourable Justice Perell granted the Plaintiffs carriage of the Ontario Class Action, and consolidated the Ontario Class Action and the Grant-Wong Action.
8. On direction from court staff, the Plaintiffs filed an amended notice of action and a statement of claim on January 26, 2012 (the "Claim"). A copy of the Claim is attached and marked as Exhibit "Y" to the affidavit of Judson Martin, sworn March 30, 2012, which Sino has filed in this proceeding (the "Martin Affidavit").

9. Following the filing of the Claim on January 26, 2012, we undertook to Justice Perell, the case management judge assigned to the Ontario Class Action, to serve and file by no later than April 2, 2012 our clients' motions for certification (the "Certification Motion") under the *Class Proceedings Act, 1992* (the "CPA") and for leave to assert the statutory cause of action for secondary market misrepresentation (the "Leave Motion") under Part XXIII.1 of the *Ontario Securities Act* (the "OSA"). The Plaintiffs brought a motion seeking to have the Certification Motion and Leave Motions heard in late August 2012. This motion was scheduled for March 22, 2012.
10. However, on February 16, 2012, the Ontario Court of Appeal issued its decision in *Sharma v Timminco Limited*, 2012 ONCA 107 (CanLII). In that decision, the Court held, in essence, that the limitation period under Part XXIII.1 of the *OSA* was not tolled in that action by the filing of a pleading wherein the plaintiff declared an intention to seek leave to assert the Part XXIII.1 cause of action (as the Plaintiffs have done from the outset of the Ontario Class Action).
11. Immediately following the issuance of the *Timminco* decision, out of an abundance of caution, Dimitri Lascaris of Siskinds LLP wrote to counsel to those of the defendants in the Ontario Class Action against whom a Part XXIII.1 claim is sought to be asserted (the "Leave Defendants"), and requested that they enter into a tolling agreement, failing which the Plaintiffs would seek to have the Leave Motion heard on March 22, 2012.
12. On March 2, 2012, by which time none of the Leave Defendants had agreed to toll the Part XXIII.1 limitation period, we served upon counsel to the Leave Defendants the Plaintiffs' motion record in support of the Leave Motion. Pursuant to Part XXIII.1 of the *OSA*, a copy of that motion record was also served upon the Ontario Securities

Commission (the "OSC"). Attached and marked as **Exhibit "A"** is a disk containing an electronic copy of the motion record filed by the Plaintiffs in support of the Leave Motion.

13. On March 6, 2012, the Leave Defendants entered into a tolling agreement with the Plaintiffs. Pursuant to the tolling agreement, the parties agreed that the running of time for the purpose of asserting Part XXIII.1 claims was to be suspended as of March 6, 2012 until February 28, 2013. On that basis, the Plaintiffs agreed to postpone the hearing of the Leave Motion and Certification Motion until a date in the summer or fall of 2012 so that the defendants would have time to prepare responding materials and allow for full preparation.
14. The expiration date of February 28, 2013 was carefully crafted by the parties in the Ontario Class Action with the assistance of the Honourable Justice Perell in order for the Leave Motion to be prepared and heard, and for a decision to be rendered by him, before the expiration of the tolling agreement. As such, any interruption or delay to the timetable will have a pass-on effect, with the result being that the decision on the Leave Motion might not be released before February 28, 2013. This puts the Class Members at risk of having some or all of their claims extinguished as a result of the potential expiry of a limitation period.
15. In support of their Leave Motion, the Plaintiffs filed a proposed Fresh as Amended Statement of Claim (the "Amended Claim"). The Amended Claim, which will be filed with the Court in accordance with the reasons of Justice Perell, is different from the Claim. Among other things, the Amended Claim incorporates information revealed to the public for the first time by the special committee established by Sino's Board to

investigate the Muddy Waters allegations (the “SC”). It also incorporates information obtained through our own, ongoing, investigation and analysis, which was aided by various experts, and which was also aided by investigators based in Hong Kong. A copy of the Amended Claim is marked and attached as **Exhibit “B”**.

16. The Amended Claim alleges that Sino, certain of its officers and directors, its auditors, and its underwriters made material misrepresentations regarding the operations, revenues, net income and assets of Sino. The Claim seeks an aggregate of \$9.2 billion in damages and is brought on behalf of:

all persons and entities, wherever they may reside who acquired Sino-Forest’s Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino-Forest’s Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino’s Securities outside of Canada, except the Excluded Persons (the “Class” or “Class Members”)

17. The Amended Claim defines “Excluded Persons” as the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant.
18. The Amended Claim defines the Class Period as “the period from and including March 19, 2007 to and including June 2, 2011.”

The Evidence Supporting the Leave Motion

19. The Part XXIII.1 cause of action which the Plaintiffs principally seek to assert is set forth in s. 138.3(1) of the *OSA*, which states in part:

138.3(1) Where a responsible issuer or a person or company with actual, implied or apparent authority to act on behalf of a responsible issuer releases a document that contains a misrepresentation, a person or company who acquires or disposes of the issuer's security during the period between the time when the document was released and the time when the misrepresentation contained in the document was publicly corrected has, without regard to whether the person or company relied on the misrepresentation, a right of action for damages against,

- (a) the responsible issuer;
- (b) each director of the responsible issuer at the time the document was released;
- (c) each officer of the responsible issuer who authorized, permitted or acquiesced in the release of the document;

[...]

- (e) each expert where,
 - (i) the misrepresentation is also contained in a report, statement or opinion made by the expert,
 - (ii) the document includes, summarizes or quotes from the report, statement or opinion of the expert, and
 - (iii) if the document was released by a person or company other than the expert, the expert consented in writing to the use of the report, statement or opinion in the document.

20. Under s. 138.8(1) of the *OSA*, an action may be commenced under Part XXIII.1 only with leave of the Court, which shall be granted if (1) the plaintiff is acting in good faith; and (2) there is a reasonable possibility that the action will be resolved at trial in favour of the plaintiff. Section 138.8 (2) of the *OSA* stipulates that, in an application for leave, the plaintiff and each defendant shall serve and file one or more affidavits setting forth the material facts upon which each intends to rely.
21. In support of the Leave Motion, the Plaintiffs have filed the following affidavits, all of which were served on counsel to Mr. Martin approximately four weeks before he swore the Martin Affidavit:

- (a) One affidavit from each of the five plaintiffs;
 - (b) An affidavit sworn by me, to which is attached, among other things, a large number of Sino disclosure documents, and which also touches upon other matters, including Sino's historical results as compared to the results of its peers;
 - (c) An affidavit from Steven Chandler, a former senior law enforcement official from Hong Kong (the "Chandler Affidavit");
 - (d) An affidavit of Alan Mak, an expert in forensic accounting from the Toronto-based firm of Rosen & Associates;
 - (e) An affidavit of Dennis Deng, a lawyer qualified to practice in the PRC, and a partner in a law firm that is one of Beijing's leading law firms and is also one of China's largest law firms (the "Deng Affidavit"); and
 - (f) An affidavit of Carol-Ann Tjon-Pian-Gi, a lawyer qualified to practice in the Republic of Suriname (the "Tjon-Pian-Gi Affidavit").
22. Below I summarize the four affidavits on which the Plaintiffs principally rely to establish the merits of their proposed Part XXIII.1 claims.

The Chandler Affidavit

23. Among other things, Mr. Chandler examined various business records that had been filed with the Administration of Industry and Commerce of the PRC (the "AIC"), as well as certain filings with the Courts of Hong Kong. Based in part upon that examination, Mr. Chandler found, *inter alia*, that:

- (a) A company from which Sino had claimed to have generated substantial sales was in fact a shell and never did any business from the time of its establishment;
- (b) Neither Sino nor any of its subsidiaries appeared to have an interest in a Shanghai-based company of which Sino claimed to be part-owner;
- (c) Sino failed to disclose that one of its officers was a major shareholder of a subsidiary of Homix Limited (a company discussed in the Martin Affidavit) at the time that Homix was acquired by Sino; and

- (d) Contrary to statements made in the Final Report of the SC, maps are in fact allowed and have been widely used in the PRC for at least the last three years.

The Tjon-Pian-Gi Affidavit

- 24. Ms. Tjon-Pian-Gi opines on Sino's assertion that one of its subsidiaries, The Greenheart Group ("Greenheart"), was granted well in excess of 150,000 hectare of forestry concessions in the Republic of Suriname. Ms. Tjon-Pian-Gi's opinion undermines this assertion or, at a minimum, constitutes evidence that Greenheart's concessions may not be compliant with the laws of Suriname. In particular, the *Forest Management Act* of the Republic of Suriname prohibits a person or legal entity, or various legal entities in which a person or legal entity has a majority interest, from being granted more than 150,000 hectares of forestry concessions.

The Deng Affidavit

- 25. In essence, Mr. Deng opines, *inter alia*, that:
 - (a) It is unlawful in the PRC, and potentially punishable with severe criminal penalties, for forestry companies or their representatives to give gifts to employees of forestry bureaus (the SC disclosed that "there are indications in emails and in interviews with [Sino] Suppliers that gifts and cash payments are made to forestry bureaus and forestry bureau officials");
 - (b) Sino's BVI subsidiaries are likely engaging in "business activities" in the PRC in violation of PRC law, and the unauthorized conduct of "business activities" in the PRC is potentially punishable with severe penalties;
 - (c) It is likely that certain of Sino's authorized intermediaries and suppliers refused to produce requested documentation to the SC because that documentation may demonstrate that they were engaging in illegal tax evasion; and
 - (d) In the PRC, standing timber may not be purchased without purchasing land use rights, and because foreign forestry companies are not allowed to purchase land use rights, the standing timber purchase contracts entered into by Sino's BVI subsidiaries are void and unenforceable under PRC law.

The Mak Affidavit

26. Essentially, Mr. Mak opines, *inter alia*, that:
- (a) From an accounting and financial reporting perspective, and based on publicly available information (including the SC's reports), sufficient appropriate evidence does not exist to justify Sino's reporting of timber assets and revenues for the vast majority of Sino's standing timber activities in 2006 to 2010;
 - (b) The annual audited financial statements of Sino for much or all of the period 2005-2010 should not have been issued to the public;
 - (c) The legal ownership and occurrence of *bona fide* economic transactions have not been established by Sino or by the investigation of the SC;
 - (d) Given the 'closed circuit' nature of Sino's standing timber business model, a serious possibility (if not high probability) is that Sino's entire standing timber business is an accounting fiction;
 - (e) Sino's timber assets, revenues and profits from at least 2006 to 2010 were grossly overstated;
 - (f) In direct contravention of Canadian GAAP, Sino grossly overstated its "cash flows from operating activities," a figure that is extensively relied upon by financial analysts to compute valuations of the company; and
 - (g) Ernst & Young and BDO failed to conduct their audits in accordance with Generally Accepted Auditing Standards, and failed to detect material misstatements in Sino's financial statements.

The Proposed Representative Plaintiffs in the Ontario Class Action

27. The trustees of the Labourer's Pension Fund of Central and Eastern Canada ("Labourers") are proposed representative plaintiffs in the Ontario Class Action. Labourers' is a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in

assets, over 39,000 members, over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers' purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino's common shares pursuant to a prospectus and in the distribution to which that prospectus related.

28. The trustees of the International Union of Operating Engineers ("Operating Engineers") are proposed representative plaintiffs in this action. Operating Engineers is a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.
29. Sjunde AP-Fonden ("AP7") is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.
30. David Grant is an individual resident in Calgary, Alberta. During the Class Period, he purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 pursuant to an

offering memorandum. Mr. Grant continued to hold those Notes at the end of the Class Period.

31. Robert Wong is an individual residing in Kincardine, Ontario. During the Class Period, he purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Mr. Wong purchased Sino common shares pursuant to a prospectus and continued to own those shares at the end of the Class Period.
32. Collectively, the Plaintiffs held in excess of 1.1 million Sino shares and 100 Sino notes at the end of the class period (on June 2, 2011).

Other Class Members' Involvement in the Ontario Class Action.

33. Our firm was recently retained by U.S.-based Davis Selected Advisors L.P ("Davis") in connection with, among other matters, the Ontario Class Action and this proceeding. Davis held approximately 31 Sino million shares, or 12.6% of Sino's outstanding shares, as of April 29, 2011, as well as various notes of Sino-Forest. I understand that that Davis is currently Sino's second largest shareholder.
34. Davis has instructed us to advise this Honourable Court that it completely supports the granting of the relief sought in this motion.
35. In addition, on April 10, 2012, I spoke to Richard Edlin of Greenberg Traurig, counsel to U.S.-based Paulson & Co. ("Paulson"). I understand that Paulson held approximately 34 million Sino shares, or 14.1% of Sino's outstanding shares, as of April 29, 2011, but that Paulson sold its Sino stake in June 2011, after publication of the initial Muddy Waters

report. Mr. Edlin advised me that Paulson completely supports the granting of the relief sought in this motion.

36. Finally as of April 11, 2012 Siskinds and Siskinds Desmeules had been contacted by 311 putative class members, and Koskie Minsky had been contacted by 204 putative class members.

The Defendants

37. Sino purports to be a commercial forest plantation operator in the People's Republic of China and elsewhere. Sino is a corporation formed under the *CBCA*. At material times relevant to the Ontario Class Action, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities were also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.
38. Allen Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011.
39. David Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. Mr. Horsley resides in Ontario.

40. Kai Kit Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Mr. Poon resides in Hong Kong, China.
41. Peter Wang is a director of Sino, and has held this position since August 2007. Mr. Wang resides in Hong Kong, China.
42. Judson Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Mr. Martin replaced Allen Chan as Chief Executive Officer of Sino. Mr. Martin was a member of Sino's audit committee prior to early 2011. He resides in Hong Kong, China.
43. Edmund Mak is a director of Sino and has held this position since 1994. Mr. Mak was a member of Sino's audit committee prior to early 2011. Mr. Mak resides in British Columbia.
44. Simon Murray is a director of Sino and has held this position since 1999. Mr. Murray resides in Hong Kong, China.
45. James M.E. Hyde is a director of Sino, and has held this position since 2004. Mr. Hyde was previously a partner of the defendant, Ernst & Young. He is the chairman of Sino's Audit Committee and a member of the Compensation and Nominating Committee. Mr. Hyde resides in Ontario.
46. William E. Ardell is a director of Sino, and has held this position since January 2010. Mr. Ardell is a member of Sino's audit committee. He resides in Ontario.

47. James P. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Mr. Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to Ernst & Young. Mr. Bowland resides in Ontario.
48. Mr. Bowland was initially a member of the SC. However, on November 4, 2011, in the middle of the SC's investigation into the Muddy Waters allegations, Sino issued a press release announcing that Mr. Bowland had resigned as a director of Sino. No reasons were given in that press release for his resignation. Attached and marked as **Exhibit "C"** is a copy of the November 4, 2011 press release.
49. Garry J. West is a director of Sino, and has held this position since February 2011. Mr. West was previously a partner at the defendant, Ernst & Young. Mr. West is a member of Sino's Audit Committee. He resides in Ontario.
50. Ernst & Young was engaged as Sino's auditor from August 13, 2007 to April 4, 2012. Ernst & Young was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when Ernst & Young resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. Ernst & Young was also Sino's auditor from 2000 to 2004, when it was replaced by BDO Limited.
51. BDO Limited is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by Ernst & Young.

52. Pöyry (Beijing) Consulting Company Limited is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino.
53. A number of underwriters are also named as defendants in the Amended Claim. These underwriters include Banc of America Corporation, Cannacord Financial Ltd., CIBC World Markets Inc., Credit Suisse Securities (Canada) Inc., Credit Suisse (USA) LLC, Dundee Securities Corp., Maison Placements Canada Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., Scotia Capital Inc., and TD Securities Inc.
54. The various defendants are represented in the Ontario Class Action by the following firms:
 - (a) Bennett Jones LLP – Sino, Edmund Mak, Simon Murray, Judson Martin, Kai Kit Poon, Peter Wang;
 - (b) Wardle Daley Bernstein LLP – David Horsley;
 - (c) Miller Thomson – Allen Chan;
 - (d) Osler, Hoskin & Harcourt LLP – William Ardell, James Bowland, James Hyde, Garry West;
 - (e) Lenczner Slaght Royce Smith Griffin LLP – Ernst & Young LLP;
 - (f) Affleck Greene McMurtry LLP – BDO Limited;
 - (g) Baker & Mckenzie LLP – Pöyry (Beijing) Consulting Company Limited; and
 - (h) Torys LLP – all Underwriters.

Other Class Proceedings

Parallel Ontario Actions

55. On June 6, 2011, the law firm of Rochon Genova LLP commenced an action (the “Smith Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
56. On September 26, 2011, the law firm of Kim Orr Barristers commenced an action (the “Northwest Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
57. By an order dated January 6, 2012, Justice Perell stayed the Smith Action and the Northwest Action, and carriage of the action was granted to the Plaintiffs. A copy of those reasons are marked and attached as **Exhibit “D”**.

Parallel Quebec Action

58. On June 9, 2011, Siskinds Desmeules, a Quebec City law firm affiliated with Siskinds, filed a petition for an order authorizing the bringing of a class action and granting the status of representative in the Quebec Superior Court (the “Quebec Proceeding”). The petition in the Quebec Proceeding defines the proposed Class as:

all persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including March 19, 2007 to and including June 2, 2011.

59. I am advised by Simon Hebert, the lawyer at Siskinds Desmeules with carriage of the Quebec Proceeding, that he anticipates that, prior to the hearing of the Quebec Proceeding, the class definition will be revised so that it is limited to Quebec residents eligible to participate in a class proceeding under the Quebec *Code of Civil Procedure*, which expressly excludes entities employing more than 50 persons from participating in a class proceeding.
60. By virtue of our relationship with Siskinds Desmeules, we believe we can coordinate the progress of the Quebec Proceeding and the Ontario Class Action in a complimentary and efficient manner.

Parallel United States Action

61. On January 27, 2012, the Washington, DC-based law firm of Cohen Milstein Sellers & Toll PLLC commenced a proposed class action against Sino and certain other defendants in the New York Supreme Court (the "U.S. Action"). The U.S. Action defines the proposed class as:

(i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

62. I am not aware of any material steps having been taken by the plaintiff in the U.S. Action to advance that action.
63. To my knowledge, Sino has no offices or operations in the United States.

Parallel Saskatchewan Action

64. On December 1, 2011 the Merchant Law Group LLP commenced a proposed class action against Sino and certain other defendants in the Saskatchewan Court of Queen's Bench styled as *Haigh v Sino-Forest Corporation* (the "Saskatchewan Action"). The proposed class in the Saskatchewan Action is defined as:

All persons and entities wherever they may reside who acquired securities of Sino during the Class Period either by primary distribution in Canada or an acquisition on the TSX or other secondary market in Canada, other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate family member of an Individual Defendant.

65. I am not aware of any material steps having been taken by the plaintiff in the Saskatchewan Action to advance that action.

66. To my knowledge, Sino has no offices or operations in the Province of Saskatchewan.

67. I am not aware of any other civil actions having been commenced in Canada or elsewhere against any of the Defendants in relation to the facts pleaded in the Claim.

The Status of the Ontario Class Action

Motions Relating to the Ontario Class Action

68. There are currently four motions scheduled to be heard in the Ontario Class Action. These are:

- (a) The Plaintiffs' motion for certification for the purpose of settlement only as against the defendant, Pöyry (Beijing) Consulting Company Limited ("Pöyry"). The Plaintiffs have reached a settlement with Pöyry, and the motion for

certification is brought on consent. The motion is scheduled to be heard on April 17, 2012. In order for this settlement to be effected, it will also have to be approved by way of motion by the Quebec Superior Court. Attached and marked as **Exhibit "E"** is a disk containing an electronic copy of the motion record filed by the plaintiffs in support of the motion for certification for the purpose of settlement.

(b) The Plaintiffs' motion for approval of a litigation funding agreement reached between the Plaintiffs and Claims Funding International, PLC ("CFI"). In the motion, the Plaintiffs also seek an order that all communications between CFI, class counsel and the Plaintiffs are confidential, that CFI provide security for costs, and that class counsel and the Plaintiffs may provide documents to CFI on the condition that CFI and its staff are subject to the deemed undertaking pursuant to Rule 30.1.03 of the *Rules of Civil Procedure*. The motion is also scheduled to be heard on April 17, 2012. Attached and marked as **Exhibit "F"** is a disk containing an electronic copy of the motion record filed by the plaintiffs in support of the litigation funding motion.

(c) The Leave Motion and the Certification Motion, the latter of which was served on the defendants on April 2, 2012. These motions are scheduled to be heard from November 21 to 30, 2012.

Timetable of Pending Motions

69. On March 22, 2012, the Honourable Justice Perell heard a contested motion regarding the date on which the Leave and Certification Motions would be heard. All of the defendants

made submissions and opposed the scheduling of the certification motion for November 2012.

70. In reasons dated March 26, 2012, the Honourable Justice Perell ordered that any Leave Defendant who elects to file an affidavit in opposition to the Leave Motion would be required to serve a Statement of Defence. The defendants in the Ontario Class Action had opposed an order requiring them to serve a defence before adjudication of the Leave and Certification Motions.

71. In his March 26, 2012 reasons, Justice Perell also set a timetable for the Plaintiffs' motion for funding approval, Leave Motion, and Certification Motion. The reasons for decision are marked and attached as **Exhibit "G"**.

72. The timetable, as set out at paragraph 93 of those reasons, is as follows:

Funding Approval Motion

March 9, 2012: Plaintiffs to deliver motion record (completed)

March 30, 2012: Defendants to deliver responding records, if any

April 6, 2012: Plaintiffs to deliver factum

April 13, 2012: Defendants to deliver factum

April 17, 2012: Hearing of the motion

Leave and Certification Motion

April 10, 2012: Plaintiffs to deliver motion record

June 11, 2012: Defendants to deliver responding records

July 3, 2012: Plaintiffs to deliver reply records, if any

September 14, 2012: Cross-examinations to be completed

October 19, 2012: Plaintiffs to deliver factum

November 9, 2012: Defendants to deliver factum

November 21-30, 2012: Hearing of the motion

Osler's Dual Roles in the SC's Investigation and in the Ontario Class Action

73. Osler, Hoskin & Harcourt LLP ("Osler") is counsel to the defendants William Ardell, James Bowland, James Hyde, and Garry West in the Ontario Class Action. Each of these individuals was a director of Sino during the Class Period.
74. On June 3, 2011, Sino-Forest issued a press release announcing the creation of the SC, which initially consisted of the defendants, William Ardell, James Bowland, and James Hyde. The mandate of the SC was said to be to "thoroughly examine and review the allegations contained in Muddy Waters' report". The SC appointed Osler as its legal counsel. A copy of the June 3, 2011 press release is marked and attached as **Exhibit "H"**.
75. On January 31, 2012, the SC released its final report to Sino's board of directors. The SC concluded that although there remain outstanding issues that have not been fully answered, the SC had reached the point of diminishing returns. Attached and marked as **Exhibit "I"** is a copy of the final report.
76. In an article dated February 13, 2012, William Ardell disclosed that Sino had then spent approximately \$50 million on its internal investigation. Attached and marked as **Exhibit "J"** is a copy of that article.

Sino's Performance from its Listing on the TSX to 2012

77. From 1994, when Sino became a TSX-listed company, to 2010, Sino's reported annual revenues increased from US\$20.5 million to US\$1.9 billion, or 9,291%, and its year-over-year reported revenues decreased only once, in 2000. During that same period, Sino's reported net income increased from US\$3.0 million to US\$395.4 million, or

13,037%, and its year-over-year reported net annual income decreased only twice, in 2000 and 2001. Finally, from 1994 to 2010, Sino's reported total assets as at year-end increased from US\$30.6 million to US\$5.7 billion, or 18,616%. During that period, Sino's year-over-year reported assets never decreased.

- 78. For none of the sixty quarters comprising the years 1996 to 2010 did Sino report a net loss; rather, for 100% of all such quarters, Sino reported significant net income.
- 79. From the commencement of 1996 to the current time, Sino's first and only quarter in respect of which it reported a net loss was for the quarter ended March 31, 2011. For that quarter, Sino reported a net loss of \$22.1 million on revenue of \$338.9 million. However, for the subsequent quarter ended June 30, 2011, Sino reported a net profit of \$447.1 million on revenue of \$317.4 million.¹
- 80. According to Sino's audited annual financial statements for the year ended December 31, 2010, Sino's revenues and net income for each of 2008, 2009 and 2010 were as follows:

Year	Revenue	Net Income
2008	\$901,295,000	\$228,593,000
2009	\$1,238,185,000	\$286,370,000
2010	\$1,923,536,000	\$395,426,000
TOTAL	\$4,063,016,000	\$910,389,000

- 81. Thus, for the period commencing on January 1, 2008 and ending on June 30, 2011, Sino reported total revenues of approximately \$4.7 billion and total net income of approximately \$1.3 billion.

¹ Sino has filed no interim or annual financial statements on SEDAR for periods ending after June 30, 2011.

CLAIMS AGAINST THE MEMBERS OF SINO'S BOARD AND CERTAIN MEMBERS OF SINO'S MANAGEMENT

82. The following chart sets out the claims being asserted in the Ontario Class Action against the members of Sino's Board and certain members of Sino's senior management:

	OSA s. 130 (prospectus)	OSA s. 138.3 (offering memorandum)	Negligent Misrepresentation (secondary market)	Negligent Misrepresentation (prospectus/offering memo)	Negligence	Unjust Enrichment	CBCA Oppression	Conspiracy
Chan	X	X	X	X	X	X	X	X
Horsley	X	X	X	X	X	X	X	X
Poon	X	X	X	X	X	X	X	X
Wang	X	X	X	X	X		X	
Martin	X	X	X	X	X	X	X	
Mak	X	X	X	X	X	X	X	
Murray	X	X	X	X	X	X	X	
Hyde	X	X	X	X	X		X	
Ardell		X	X				X	
Bowland		X	X				X	
West		X	X				X	

Resignation of Sino-Forest's Auditor

83. On April 5, 2012, Sino issued a press release announcing that Ernst & Young had resigned as the company's auditors effective April 4, 2012. In its resignation letter to Sino, Ernst & Young noted that the company had not prepared December 31, 2011 consolidated financial statements for that audit. It also noted that in Sino's March 30, 2012 filing under the *CCAA*, Sino said that it remained unable to satisfactorily address outstanding issues in relation to its 2011 annual financial statements. Attached and marked as **Exhibit "K"** is a copy of the April 5, 2012 press release.

Actions of the Ontario Securities Commission Relating to Sino-Forest

84. On June 8, 2011 Sino announced that the OSC had commenced an investigation into the company. A copy of the June 8, 2011 press release is marked and attached as **Exhibit "L"**.
85. On August 26, 2011, the OSC issued temporary cease trade order against Sino's securities and in respect of certain members of Sino's management, including the defendant Allen Chan. In recitals to the temporary cease-trade order, the OSC stated that "Sino-Forest, through its subsidiaries, appears to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities law and the public interest", that "Sino-Forest and certain of its officers and directors appear to have misrepresented some of its revenue and/or exaggerated some of its timber holdings by providing information to the public in documents required to be filed or furnished under Ontario securities laws and which may have been false or misleading in a material respect contrary to section 122 or 126.2 of the [Ontario Securities] Act and contrary to the public

interest” and that “Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices, or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the Act and contrary to the public interest.” Attached and marked as **Exhibit “M”** is a copy of the OSC temporary cease trade order.

86. The temporary cease trade order made on August 26, 2011 was later extended and continues in force. On April 5, 2012, Sino received an Enforcement Notice from the OSC staff. Enforcement Notices were also received that day by Allen Chan, David Horsley, Alfred Hung, and George Ho, among others.
87. The Enforcement Notice against Sino alleges conduct contrary to ss.122 and 126.1 of the OSA. Section 126.1 prohibits activities resulting in an artificial price of a security, or which perpetuate a fraud on any person or company. Section 122 provides for a quasi-criminal offence and penalties on conviction of up to \$5 million and imprisonment for a term of up to five years less a day.
88. Enforcement Notices are notices issued by OSC staff that usually identify issues revealed in an investigation, and advise that staff intend to commence a formal proceeding relating to those issues. Recipients of the notices are given the opportunity to make submissions before OSC staff make a final decision to commence formal proceedings.
89. I have reviewed the website of the OSC. It states that the OSC pursues cases in court under s. 122 “in order to seek sanctions and penalties that send a strong message of deterrence to those who try to exploit investors.”

90. According to Sino's website, which I viewed on April 11, 2012:

- (a) Allen Chan currently holds the position of Founding Chairman Emeritus;
- (b) David Horsley currently holds the position of Senior Vice President and Chief Financial Officer;
- (c) Alfred Hung currently holds the position of Vice President, Corporate Planning and Banking; and
- (d) George Ho currently holds the position of Vice President, Finance (China).

Attached and marked as **Exhibit "N"** is a printout from Sino's website which describes these individuals and their positions.

MEDIA COVERAGE OF SINO-FOREST'S CCAA PROCEEDING

91. Attached and marked as **Exhibit "O"** is an article recently published by Reuters regarding Sino's CCAA proceeding.

THE DEFENDANTS' ABILITY TO PAY

92. The Plaintiffs understand that, given the financial position of Sino and the serious doubts as to the legitimacy of its business and, in particular, as to its title to its claimed assets, they are unlikely to obtain any significant recovery from Sino.

93. It appears, however, that all of the remaining defendants (with the possible exception of Pöyry) have the ability to pay significant damages arising out of the Ontario Class Action.

94. The objective of our clients, including Davis, is to pursue their claims against the individual defendants, the underwriter and Sino's former auditors.

Directors and Officers

95. According to Sino's proxy circular of May 30, 2011 (the last proxy circular that Sino filed on SEDAR):

In 2010, the Corporation purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$60,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and its subsidiaries. For the financial year ended December 31, 2010, the Corporation paid a premium of \$230,823 (inclusive of applicable taxes) in respect of such insurance.

Auditors and Underwriters

96. The defendants, other than Sino and its directors and officers, are, or are controlled by, large business organizations each having hundreds of millions to billions of dollars in annual revenues:

- (a) Ernst & Young reported US\$22.9 billion in global revenue for the year ended June 30, 2011. Attached and marked as **Exhibit "P"** is a copy of Ernst & Young's Global Review 2011.
- (b) Banc of America Corporation and Merrill Lynch Canada Inc are wholly owned subsidiaries of Bank of America Corporation. In 2011, Bank of America reported revenue of US\$94.4 billion and net income (excluding goodwill impairment charges) of US\$4.6 billion. Attached and marked as **Exhibit "Q"** is an excerpt from Bank of America's 2011 annual report.

- (c) Canaccord Financial Ltd. (now Canaccord Genuity) is a subsidiary of Canaccord Financial Inc. In 2011, Canaccord Financial Inc. reported revenue of CAD\$803 million and net income of CAD\$98 million. Attached and marked as **Exhibit "R"** is an excerpt from Canaccord Financial Inc.'s 2011 annual report.
- (d) CIBC World Markets Inc. is a subsidiary of CIBC. In 2011, CIBC reported revenue of CAD\$12.25 billion and net income of CAD\$3 billion. Attached and marked as **Exhibit "S"** is an excerpt from CIBC's 2011 annual report.
- (e) Credit Suisse Securities (Canada) Inc. and Credit Suisse (USA) LLC are subsidiaries of Credit Suisse Group. In 2011, Credit Suisse Group reported revenue of CHF26.2 billion and net income of CHF 2.79 billion. One CHF is equal to approximately CAD 1.088. Attached and marked as **Exhibit "T"** is an excerpt from Credit Suisse Group's 2011 annual report.
- (f) Dundee Securities Corp. (now DWM Securities Inc.) is a subsidiary of DundeeWealth Inc. On March 9, 2011, DundeeWealth Inc. became a wholly owned subsidiary of ScotiaBank. In 2010, DundeeWealth Inc. reported revenue of CAD\$1.04 billion and net income of CAD\$118.7 million. Attached and marked as **Exhibit "U"** is an excerpt from DundeeWealth Inc.'s 2010 financial statements.
- (g) RBC Dominion Securities Inc. is a principal subsidiary of the Royal Bank of Canada. In 2011, the Royal Bank of Canada reported revenue of CAD\$27.4 billion and net income of CAD\$4.8 billion. Attached and marked as **Exhibit "V"** is an excerpt from Royal Bank of Canada's 2011 annual report.

(h) Scotia Capital Inc. is a principal subsidiary of Scotia Bank. In 2011, ScotiaBank reported revenue of CAD\$17.3 billion and net income of CAD\$5.26 billion. Attached and marked as **Exhibit "W"** is an excerpt from ScotiaBank's 2011 annual report.

(i) TD Securities Inc. is a principal subsidiary of the Toronto-Dominion Bank. In 2011, Toronto-Dominion Bank reported revenue of CAD\$21.5 billion and net income of CAD\$5.9 billion. Attached and marked as **Exhibit "X"** is an excerpt from Toronto-Dominion Bank's 2011 financial statements.

97. Attached and marked as **Exhibit "Y"** is a chart that sets out the claims against each of the defendants in the Ontario Class Action other than the individual defendants.

Pöyry

98. As indicated above, the plaintiffs have entered into a settlement agreement with Pöyry, which is to be reviewed by Justice Perell on April 17, 2012. The settlement agreement essentially provides that Pöyry will provide information and cooperation to the plaintiffs for the purposes of prosecuting the Ontario Class Action against the remaining defendants.

99. In exchange for information and cooperation, there would be a release of claims against Pöyry and a bar order preventing claims for contribution, indemnity and other claims over in respect of the released claims. If it is later determined that the non-settling defendants have such rights of contribution, indemnity, or claim over against Pöyry, then the class members would not be entitled to claim or recover from the non-settling

defendants the proportion of any judgment that the Ontario court would have apportioned to Pöyry.

100. The settlement agreement provides that the parties shall consent to certification for the purpose of settlement and that Pöyry will pay the first \$100,000 of the costs of providing notice of certification and fairness hearing and half of any such costs over \$100,000. A copy of the settlement agreement is marked and attached as **Exhibit "Z"**

Compensation and Proceeds of Stock Sales of Certain Individual Defendants

101. Over the course of their involvement with Sino, the defendants Allen Chan, Kai Kit Poon, and David Horsley received substantial compensation from Sino. The following information regarding these defendants' salary and bonus from Sino was compiled from the Management Information Circulars from 2007 to 2010, which are marked and attached as **Exhibits "AA" to "DD"**. Information regarding the net proceeds of these defendants' sale of Sino's securities was compiled from insider transaction detail reports retrieved from the System for Electronic Disclosure by Insiders ("SEDI"), which are marked and attached as **Exhibits "EE" to "GG"**

102. According to these documents, Allen Chan received

- (a) \$1,047,947 in net proceeds from his sale of Sino securities; and
- (b) \$22,698,775 in salary and bonuses between 2007 and 2010.

103. According to these documents, Kai Kit Poon received

- (a) \$48,522,642 in net proceeds from his sale of Sino securities; and

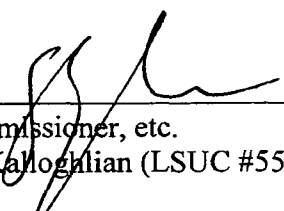
(b) \$3,021,162 in salary and bonuses between 2007 and 2010

104. According to these documents, David Horsley received

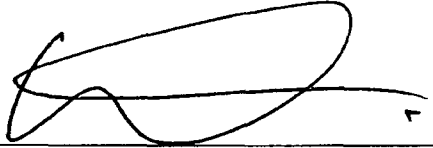
(a) \$5,842,303 in net proceeds from his sale of Sino securities; and

(b) \$7,568,487 in salary and bonuses between 2007 and 2010.

SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 11th day of April, 2012.)



A Commissioner, etc.)
Serge Kaloghlian (LSUC #55557F))



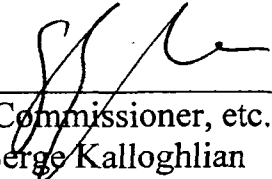
Daniel E. H. Bach





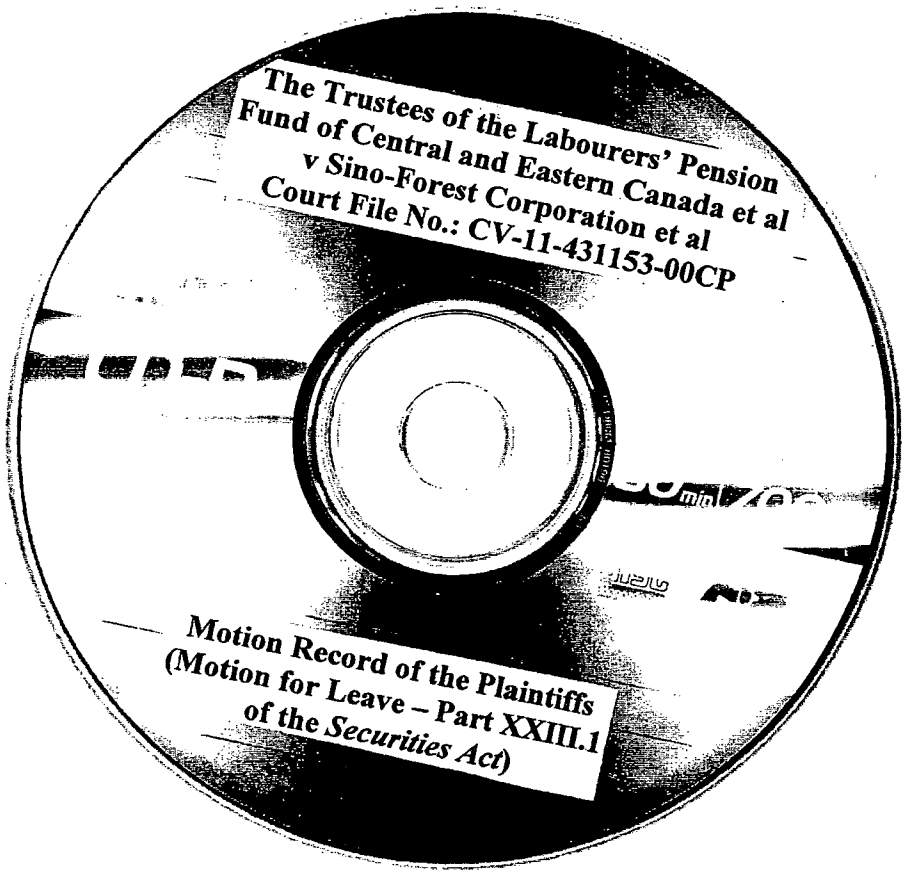


This is Exhibit "A" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)





**The Trustees of the Labourers' Pension
Fund of Central and Eastern Canada et al
v Sino-Forest Corporation et al
Court File No.: CV-11-431153-00CP**

**Motion Record of the Plaintiffs
(Motion for Leave - Part XXIII.1
of the *Securities Act*)**

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN :

THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL
UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON,
DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE,
EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)
CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC.,
TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION
SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL
LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS
CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and BANC OF AMERICA
SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

MOTION RECORD OF THE PLAINTIFFS
(Motion for Leave – Part XXIII.1 of the *Securities Act*)
Volume 1

SISKINDS LLP
680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)
Tel: (519) 660-7753
Fax: (519) 660-7754
A. Dimitri Lascaris (LSUC#: 50074A)
Tel: (519) 660-7844
Fax: (519) 660-7845

KOSKIE MINSKY LLP
900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC #: 30942O)
Tel: (416) 595-2117
Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)
Tel: (416) 595-2072
Fax: (416) 204-2907

Lawyers for the Plaintiffs

TO: **Bennett Jones LLP**
1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)
Tel: (416) 777-4857
Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)
Tel: (416) 777-4879
Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray and Edmund Mak

AND TO: **Wardle Daley Bernstein LLP**
2404-401 Bay Street
P.O. Box 21
Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)
Tel: (416) 351-2771
Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)
Tel: (416) 351-2781
Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO: **Miller Thomson LLP**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)
Tel: 416-595-8640
Fax: 416-595-8695

Lawyers for Allen Chan

AND TO: **Osler, Hoskin & Harcourt LLP**
1 First Canadian Place, 61st Floor
Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)
Tel: (416) 862-6454
Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)
Tel: (416) 862-5988
Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO: **Lenczner Slaght Royce Smith Griffin LLP**
2600 - 130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558

Linda L. Fuerst (LSUC# 22718U)
Tel: (416) 865-3091
Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO: **Torys LLP**
 79 Wellington Street West
 Suite 3000 , Box 270, TD Centre
 Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd. and Maison Placements Canada Inc.

AND TO: **Affleck Greene McMurtry LLP**
 365 Bay Street, Suite 200
 Toronto ON M5H 2V1

Peter Greene

Tel: (416) 360-8767

Fax: (416) 360-5960

Kenneth Dekker

Tel: (416) 360-6902

Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO: **W. Judson Martin**
 Four Seasons Place
 8 Finance Street
 Apartment 4833
 Central, HONG KONG

AND TO: **Kai Kit Poon**
 Cleveland Mansion
 5-7 Cleveland Street
 4th Floor, Flat D
 Causeway Bay, HONG KONG
Kai Kit Poon
 c/o Sino-Wood Partners, Limited
 Room 3815-29 38/F
 Sun Hung Kai Centre,
 30 Harbour Road
 Wanchai, HONG KONG

- AND TO: **Peter Wang**
149 Hong Lok Road East
Hong Lok Yuen, Tai Po
NT, HONG KONG
- AND TO: **Pöyry (Beijing) Consulting Company Limited**
Room 801-802
Tower 1
Prosper Center No. 5 Guanghua Road
Chaoyang District
BEIJING 100020 P.R. China
- AND TO: **Credit Suisse Securities (USA) LLC**
One Madison Avenue
New York, NY 10010
UNITED STATES
- AND TO: **Banc of America Securities LLC**
301 South Kings Drive
Charlotte, NC 28204
UNITED STATES

TABLE OF CONTENTS

TAB	DESCRIPTION
1.	Notice of Motion, dated March 1, 2012
2.	Affidavit of Robert Wong
	Exhibit A – summary of the transactions in Sino’s shares
3.	Affidavit of Michael Gallagher
	Exhibit A – summary of the transactions in Sino’s shares
4.	Affidavit of Ingrid Albinsson and Svante Linder
	Exhibit A – summary of the transactions in Sino’s shares
5.	Affidavit of Joseph Mancinelli
	Exhibit A – summary of transactions in Sino’s shares
6.	Affidavit of Steven Gowan Chandler
	Exhibit A –High Court Writ 8671 of 1990, Supreme Court, Hong Kong
	Exhibit B – certificate of incorporation and statutory corporate filings by New Ross
	<i>Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd.</i>
	Exhibit C – list of board members and management of Leizhou
	Exhibit D – Leizhou Forestry Bureau letter dated February 27, 1998
	Exhibit E –Zhangjiang Sino-Forest Technology Center letter dated June 25, 1998
	Exhibit F – board resolution on appointments July 5, 1999
	Exhibit G –announcement of Capital reduction
	Exhibit H –certificate of approval for establishment of enterprise 2000
	Exhibit I –business license of enterprise legal person
	Exhibit J – approval of early termination of Leizhou, November 4, 2003

Exhibit K –certification of approval for establishment of foreign-funded enterprises in the People’s Republic of China, January 28, 1994
Exhibit L – articles of association of Leizhou, an equity joint venture
Exhibit M – document of Zhanjiang committee of foreign trade and economic cooperation
Exhibit N –business license of enterprise legal person of the PRC
Exhibit O – resolution of board of directors
Exhibit P – capital verification report of Yuexi certified public accountants
Exhibit Q –financial statements for the financial year 1996
Exhibit R – articles of association
Exhibit S – application for cancellation of registration of foreign-funded enterprises
<i>Sino-Wood Partners</i>
Exhibit T –statutory annual returns of Sino Wood Partners Limited 1996-2000
<i>Shanghai Jin Xiang Timber Ltd.</i>
Exhibit U – notice for approved license of company
Exhibit V – key management staff
Exhibit W – notices of approval business registration license
Exhibit X – agreement to terminate joint venture business
Exhibit Y – report of the People's Government of Nanxiang Town
Exhibit Z – capital verification report
Exhibit AA – notice for approval company name change
Exhibit BB – certificates of appointment of the company’s legal representative, director, supervisor and manager
Exhibit CC – document issued by the People's Government of Jiading District Nanxiang Town
Exhibit DD – resolutions of the shareholders’ meeting

Exhibit EE – financial statements for SJXTM 2000 and 2002
<i>Shanghai Jinsen Material Trade Co., Ltd.</i>
Exhibit FF – file of the Shanghai Huangpu Yangling People’ Government
Exhibit GG – collective staff list of Shanghai Jinsen
Exhibit HH –capital verification report of Huihua CPA
Exhibit II – notice of issuance of enterprise business license
Exhibit JJ –administrative penalty decision of Shanghai Pudong Administration of Industry and Commerce
<i>Shanghai Changxiang Industrial Co., Ltd.</i>
Exhibit KK – application for pre-approval of company name
Exhibit LL – shareholders of Shanghai Changxiang
Exhibit MM – statement on the source of the investment capital of Shanghai Changxiang
Exhibit NN – resolution of company shareholders’ meeting – Shanghai
Exhibit OO – application for registration of company establishment
Exhibit PP – statement (handwritten), November 22, 1999
Exhibit QQ – resolution of board of directors of Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd.
<i>Shanghai Jincal Industrial Co., Ltd.</i>
Exhibit RR –application for pre-approval of company name Shanghai Jinjia
Exhibit SS – resolution of board of shareholders
Exhibit TT – application for registration of company establishment
Exhibit UU – notification for pre-approval of company name
Exhibit VV – resolution of board of shareholders of Shanghai Jincal
Exhibit WW – resolution of board of shareholders of Shanghai Jincal
Exhibit XX – equity transfer contract

<i>Homix Limited</i>
Exhibit YY –AIC records relating to Jiangsu Dayang Wood Co., Ltd.
Exhibit ZZ – patent search regarding Jiangsu Dayang
Exhibit AAA – application for registration of establishment
Exhibit BBB – list of directors, supervisors, managers/committee members
Exhibit CCC –list of shareholders (or promoters) of Panyu Dacheng Wood Co., Ltd.
Exhibit DDD –application for modifying business name and address of companies/self-employed households in Panyu District
Exhibit EEE – application for registration of modification
Exhibit FFF – preliminary examination
Exhibit GGG – application for modifications (filing) of registration items of foreign-funded enterprises
Exhibit HHH – list of directors, supervisors, managers/committee members
Exhibit III –notice of approval of modification registration
Exhibit JJJ – notice of approval of modification registration
Exhibit KKK – application for modification (filing) of registration items of foreign-funded enterprises
Exhibit LLL – list of directors, supervisors, managers/committee members
Exhibit MMM – Guangzhou Panyu Dacheng Wood Co., Ltd., letter of dismissal and appointment
Exhibit NNN – notice of approval of modification registration
Exhibit OOO – examination and approval of application for registration of modification
<i>Sonic Jita Engineering Company Limited</i>
Exhibit PPP – High Court Writ, Hong Kong Special Administrative Region
Exhibit QQQ – statutory information filed for Sonic Jita, 2006-August 2011
Exhibit RRR – Inland Revenue Department of the Hong Kong Government, rules government sale or transfer of stock in Hong Kong

	Exhibit SSS – Declaration from Wong Kam Yee (translator)
	Exhibit TTT – Declaration from Lam Shing-Ming (translator)
7.	Affidavit of Daniel Bach
	Exhibit A- CD of documents references in affidavit (Index provided at Tab 7A)
8.	Affidavit of Carol-Ann Tjon-Pian-Gi
	Exhibit A – copy of curriculum vitae
9.	Affidavit of Dennis Deng
	Exhibit A – copy of curriculum vitae
10.	Affidavit of Alan T. Mak
	Exhibit A – report of Rosen & Associates Limited
11.	Proposed Fresh as Amended Statement of Claim

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL
UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON,
DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE,
EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)
CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC.,
TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION
SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL
LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS
CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and BANC OF AMERICA
SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**NOTICE OF MOTION FOR LEAVE TO PLEAD THE CAUSES OF ACTION
CONTAINED IN PART XXIII.1 OF THE ONTARIO *SECURITIES ACT***

The Plaintiffs other than David Grant (the "Part XXIII.1 Plaintiffs") will make a motion to the Court, on a date and at a time to be fixed, before the Honourable Justice Perell at Osgoode Hall, 130 Queen Street West, Toronto

PROPOSED METHOD OF HEARING:

The motion is to be heard orally.

THE MOTION IS FOR:

1. an Order granting leave to file a Fresh as Amended Statement of Claim substantially in the form attached as Tab 11 to the Motion Record of the Plaintiffs (the “Fresh as Amended Claim”), pleading the cause of action available under Part XXIII.1 of the *Securities Act*, RSO 1990, c S.5, as amended (the “*OSA*”), or, in the alternative, under the *OSA* and the equivalent provisions of the Other Canadian Securities Legislation (as defined in the Fresh as Amended Claim), *nunc pro tunc* as of the date of the commencement of this action or, in the alternative, as of such date as this Court may deem just;
2. costs of this motion, plus applicable taxes; and
3. such further and other order and relief as counsel may request and this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

1. the cause of action under Part XXIII.1 of the *OSA* is being asserted in good faith;
2. there is a reasonable possibility that the action under Part XXIII.1 of the *OSA* will be resolved at trial in favour of the Part XXIII.1 Plaintiffs;
3. it is in the interests of justice that leave be granted on a *nunc pro tunc* basis;
4. the securities legislation of each other province and territory in Canada contains provisions materially similar to the provisions of Part XXIII and Part XXIII.1 of the *OSA*;
5. the *OSA*;
6. the *Securities Act*, RSA 2000, c S-4, as amended;

7. the *Securities Act*, RSBC 1996, c 418, as amended;
8. *The Securities Act*, CCSM c S50, as amended;
9. the *Securities Act*, SNB 2004, c S-5.5, as amended;
10. the *Securities Act*, RSNL 1990, c S-13, as amended;
11. the *Securities Act*, SNWT 2008, c 10, as amended;
12. the *Securities Act*, RSNS 1989, c 418, as amended;
13. the *Securities Act*, S Nu 2008, c 12, as amended;
14. the *Securities Act*, RSPEI 1988, c. S-3.1, as amended;
15. the *Securities Act*, RSQ c V-1.1, as amended;
16. *The Securities Act, 1988*, SS 1988-89, c S-42.2, as amended;
17. the *Securities Act*, SY 2007, c 16, as amended;
18. the *Rules of Civil Procedure*, RRO 1990, Reg 194 and, in particular, Rules 1.04(1), 12, 26.01 and 26.02; and
19. such further and other grounds as counsel may advise and this Honourable Court may deem just.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. the Affidavit of Robert Wong;
2. the Affidavit of Michael Gallagher;
3. the Affidavit of Ingrid Albinsson and Svante Linder;

4. the Affidavit of Joseph Mancinelli;
5. the Affidavit of Stephen Gowan Chandler;
6. the Affidavit of Daniel E.H. Bach;
7. the Affidavit of Dennis Deng;
8. the Affidavit of Carol-Ann Tjon-Pian-Gi;
9. the Affidavit of Alan T. Mak; and
10. such further and other evidence as counsel may advise and this Honourable Court may deem just.

March 2, 2012

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

KOSKIE MINSKY LLP

900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC #: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

Lawyers for the Plaintiffs

TO: **Bennett Jones LLP**
1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)
Tel: (416) 777-4857
Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)
Tel: (416) 777-4879
Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray and Edmund Mak

AND TO: **Wardle Daley Bernstein LLP**
2404-401 Bay Street
P.O. Box 21
Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)
Tel: (416) 351-2771
Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)
Tel: (416) 351-2781
Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO: **Miller Thomson LLP**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)
Tel: 416-595-8640
Fax: 416-595-8695

Lawyers for Allen Chan

AND TO: **Osler, Hoskin & Harcourt LLP**
1 First Canadian Place, 61st Floor
Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)

Tel: (416) 862-6454

Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)

Tel: (416) 862-5988

Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO: **Lenczner Slaght Royce Smith Griffin LLP**
2600 - 130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)

Tel: (416) 865-2921

Fax: (416) 865-3558

Linda L. Fuerst (LSUC# 22718U)

Tel: (416) 865-3091

Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO: **Torys LLP**
79 Wellington Street West
Suite 3000 , Box 270, TD Centre
Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd. and Maison Placements Canada Inc.

AND TO: **Affleck Greene McMurtry LLP**
365 Bay Street, Suite 200
Toronto ON M5H 2V1

Peter Greene
Tel: (416) 360-8767
Fax: (416) 360-5960
Kenneth Dekker
Tel: (416) 360-6902
Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO: **W. Judson Martin**
Four Seasons Place
8 Finance Street
Apartment 4833
Central, HONG KONG

AND TO: **Kai Kit Poon**
Cleveland Mansion
5-7 Cleveland Street
4th Floor, Flat D
Causeway Bay, HONG KONG
Kai Kit Poon
c/o Sino-Wood Partners, Limited
Room 3815-29 38/F
Sun Hung Kai Centre,
30 Harbour Road
Wanchai, HONG KONG

AND TO: **Peter Wang**
149 Hong Lok Road East
Hong Lok Yuen, Tai Po
NT, HONG KONG

AND TO: **Pöyry (Beijing) Consulting Company Limited**
Room 801-802
Tower 1
Prosper Center No. 5 Guanghai Road
Chaoyang District
BEIJING 100020 P.R. China

AND TO: **Credit Suisse Securities (USA) LLC**
One Madison Avenue
New York, NY 10010
UNITED STATES

AND TO: **Banc of America Securities LLC**
301 South Kings Drive
Charlotte, NC 28204
UNITED STATES

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

and Sino-Forest corporation, et al.

Court File No: CV-11-431153-00CP

Plaintiffs

Defendants

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings Under the *Class Proceedings Act, 1992*
Proceeding commenced at Toronto

NOTICE OF MOTION FOR LEAVE TO PLEAD THE
CAUSES OF ACTION CONTAINED IN PART XXIII.1
OF THE ONTARIO *SECURITIES ACT*

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

Lawyers for the Plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ROBERT WONG

I, ROBERT WONG, of the City of Kindardine, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am a plaintiff in this action. Accordingly, I have knowledge of the matters herein
deposed. Where I make statements in this affidavit based on information not within my
personal knowledge, I have been informed by my lawyers at Siskinds LLP and Koskie
Minsky LLP, and I believe such information to be true.

2. I swear this affidavit in support of the Plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the Ontario *Securities Act*, and for no other or improper purpose.
3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".
5. In this action, I allege, on my own behalf and on behalf of the Class of investors that acquired Sino's securities during the material time, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.
6. I brought this action to recover my investment losses, to ensure that the defendants are held accountable for their behaviour, to deter similar conduct by others, and to safeguard the health and transparency of the public markets. I commenced this action in good faith and have no ulterior motive, nor any improper or collateral purpose for starting these proceedings.

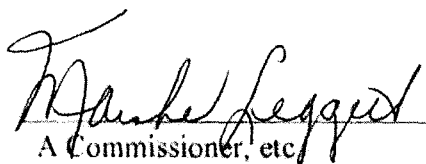
MY INVESTMENT IN SINO-FOREST CORPORATION

7. I first became a shareholder of Sino on July 29, 2002, when I purchased, over the TSX, approximately 15,000 Sino shares. I paid about \$15,000 for those shares. I was a

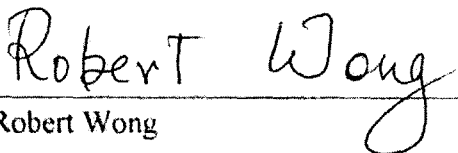
shareholder of Sino continuously from that time until June 10, 2011, when I disposed of my last shares of Sino.

- 8. After I first became a Sino shareholder, I purchased hundreds of thousands of Sino shares, many of which I acquired during the proposed class period in this action. I also sold many shares during that period. However, by early September 2008, I owned 1,371,500 Sino shares having a market value at that time of approximately \$26.1 million.
- 9. At the conclusion of the proposed class period, I continued to own 518,700 Sino shares having at that time a market value of approximately \$9.4 million. Thirty thousand of the Sino shares I then owned were purchased at a price of \$16.80 per share, or a total of \$504,000, under Sino's December 2009 prospectus.
- 10. On June 3, 2011 and June 10, 2011, following my learning of the allegations made against Sino by Muddy Waters, I sold all of the 518,700 Sino shares that I owned at the end of the class period, and did so for total proceeds of approximately \$2.8 million. During the time that I was a Sino shareholder, I purchased Sino shares at prices as high as \$23.00, but the average price at which I sold my Sino shares after the class period was \$5.43.
- 11. Attached and marked as **Exhibit "A"** is a summary of the transactions outlined above.

SWORN OR AFFIRMED before)
me at at the City of VINCORINE, on)
February 23, 2012.)


A Commissioner, etc)

MARSHA PAULINE LEGGETT, a Commissioner,
etc., Province of Ontario, for
William S. Mathers, Barrister and Solicitor.
Expires January 20, 2013.


Robert Wong

TRUSTEES OF THE LABOURERS' and SINO-FOREST CORPORATION *et al.*
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Court File No: CV-11-431153-00CP

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ROBERT WONG

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

This is Exhibit "A" mentioned
and referred to in the Affidavit
of Robert Wong, sworn before
me at the City of *KINCARDINE*, in
the Province of *ONTARIO*, this *23RD*
day of *FEBRUARY*, 2012.


A Commissioner etc.

MARSHA PAULINE LEGGETT, a Commissioner,
etc., Province of Ontario, for
William S. Mathers, Barrister and Solicitor.
Expires January 20, 2013.

0424

Date	Stock	Transaction	Symbol	Quantity	Price	Commission	Amount
7/29/02	sino forest	b	tre.a	15200	0.95		-14,896.00
7/30/02	sino forest	b	tre.a	4500	0.95		-4,410.00
8/29/02	sino forest	b	tre.a	40000	0.95		-39,200.00
12/12/02	sino forest	b	tre.a	74700	1.20		-91,881.00
12/13/02	sino forest	b	tre.a	26300	1.20		-31,119.00
3/8/03	sino forest	b	tre.a	40000	1.73		-70,035.00
3/10/03	sino forest	b	tre.a	40000	1.84		-74,800.00
3/19/03	sino forest	b	tre.a	24100	1.80		-44,103.00
3/20/03	sino forest	b	tre.a	15900	1.80		-28,097.00
4/16/03	sino forest	b	tre.a	10000	1.75		-17,800.00
4/24/03	sino forest	b	tre.a	15800	1.73		-27,886.00
7/28/03	sino forest	b	tre.a	20000	2.71		-54,800.00
9/2/03	sino forest	b	tre.a	16500	3.45		-57,420.00
9/3/03	sino forest	b	tre.a	3500	3.45		-12,180.00
9/10/03	sino forest	b	tre.a	20000	3.35		67,600.00
10/3/03	sino forest	b	tre.a	20000	3.36		67,600.00
2/19/04	sino forest	b	tre.a	11600	6.20		-7,1920.00
3/19/04	sino forest	b	tre.a	1000	4.00		-4015.00
3/29/04	sino forest	b	tre.a	30000	4.10		-123,306.00
3/29/04	sino forest	b	tre.a	2000	3.82		-7,656.00
5/20/04	sino forest	b	tre.a	50000	2.50		-125,505.00
2/17/05	sino forest	b	tre.a	100000	4.16		-417,000.00
12/12/05	sino forest	b	tre	9000	4.77		-43,020.00
1/25/06	sino forest	b	tre	8500	6.47		-16,680.00
3/27/06	sino forest	b	tre	2700	6.49		-17,550.00
3/29/06	sino forest	b	tre	47300	6.48		-307,450.00
6/29/06	Sino Forest	b	tre	50000	5.50		-275,500.00
8/3/06	Sino Forest	b	tre	5100	5.66		-28,917.00
8/4/06	Sino Forest	b	tre	42300	5.66		239,841.00
8/8/06	Sino Forest	b	tre	2600	5.66		-14,742.00
8/16/06	Sino Forest	b	tre	20000	4.50		-90,200.00
10/11/06	Sino Forest	b	tre	30000	5.09		-153,000.00
10/18/06	Sino Forest	b	tre	43800	5.30		231,516.00
10/17/06	Sino Forest	b	tre	6400	5.30		33,984.00
10/24/06	Sino Forest	b	tre	50000	5.43		272,000.00
11/1/06	Sino Forest	b	tre	50000	5.70		285,500.00
11/10/06	Sino Forest	b	tre	2500	6.29		-15,760.00
11/13/06	Sino Forest	b	tre	80400	6.65		402,264.00
11/14/06	Sino Forest	b	tre	10000	6.82		66,300.00
12/24/06	Sino Forest	b	tre	2200	6.82		-14,588.00
1/2/07	Sino Forest	b	tre	34000	7.89		-268,800.00
1/3/07	Sino Forest	b	tre	20000	7.89		-158,476.00
1/4/07	Sino Forest	b	tre	16000	7.60		114,160.00
1/5/07	Sino Forest	b	tre	5000	7.65		-38,340.00
1/8/07	Sino Forest	b	tre	5000	7.05		-38,300.00
1/9/07	Sino Forest	b	tre	10000	7.87		-78,800.00
1/10/07	Sino Forest	b	tre	9800	7.98		-78,302.00
1/12/07	Sino Forest	b	tre	40000	10.37		-416,200.00
1/16/07	Sino Forest	b	tre	60000	9.13		-548,400.00

1/24/07	Sino Forest	b	tre	20000	9.43		-188,800.00
8/28/07	sino forest	b	tre	10000	15.00		-150,100.00
8/7/07	sino forest	b	tre	10000	15.00		-150,100.00
	total			1281500	4.930		-6,219,294.00
8/10/07	sino forest	s	tre	-20000	15.000		289,800.00
	remaining			1241500	4.930		-6,120,692.43
8/15/07	sino forest	b	tre	10000	15.000		-150,100.00
12/10/07	sino forest	b	tre	4400	20.580		-90,598.00
12/10/07	sino forest	b	tre	5800	20.800		-115,418.00
1/15/08	sino forest	b	tre	10000	20.170		-201,700.00
6/13/08	sino forest	b	tre	10000	16.670		-166,700.00
6/28/08	sino forest	b	tre	20000	18.000		-360,000.00
7/18/08	sino forest	b	tre	10000	15.000		-150,000.00
7/22/08	sino forest	b	tre	10000	14.600		-145,000.00
8/5/08	sino forest	b	tre	7900	15.500		-122,450.00
8/8/08	sino forest	b	tre	2100	15.500		-32,550.00
8/11/08	sino forest	b	tre	10000	15.000		-150,000.00
8/25/08	sino forest	b	tre	10000	18.000		-190,000.00
9/4/08	sino forest	b	tre	20000	19.000		-380,000.00
	total			1371500	6.1066		-6,375,204.43
9/18/08	sino forest	s	tre	-40000	15.900	400.00	635,600.00
9/18/08	sino forest	s	tre	-20000	14.288	200.00	285,520.00
9/29/08	sino forest	s	tre	-1,500.00	13.210	15.00	19,800.00
	sino forest	s	tre	-18500	13.210	185.00	244,200.00
9/30/08	sino forest	s	tre	-100,000	13.480	1,000.00	1,345,000.00
10/2/08	sino forest	s	tre	-25,000	11.743	2,935.80	290,644.20
10/2/08	sino forest	s	tre	-20,000	12.030	200.00	240,400.00
10/2/08	sino forest	s	tre	-40,000	12.250	400.00	488,600.00
10/8/08	sino forest	s	tre	-10,000	9.600	100.00	95,900.00
10/8/08	sino forest	s	tre	-20,000	10.150	200.00	202,800.00
10/8/08	sino forest	s	tre	-20,000	10.250	200.00	204,800.00
10/8/08	sino forest	s	tre	-10,000	10.410	100.00	104,000.00
10/8/08	sino forest	s	tre	-10000	10.800	100.00	107,900.00
10/9/08	sino forest	s	tre	-7400	10.265	74.00	75,887.00
10/10/08	sino forest	s	tre	-2600	8.880	26.00	23,062.00
10/15/08	sino forest	s	tre	-6500	10.000	65.00	64,935.00
11/13/08	sino forest	s	tre	-20000	6.990	200.00	139,600.00
11/14/08	sino forest	s	tre	-20000	7.000	200.00	139,800.00
11/18/08	sino forest	s	tre	-5000	6.650	50.00	33,200.00
11/19/08	sino forest	s	tre	-15000	6.720	150.00	100,650.00
11/20/08	sino forest	s	tre	-40000	5.960	400.00	236,000.00
11/21/08	sino forest	s	tre	-20000	5.700	200.00	113,800.00
11/24/08	sino forest	s	tre	-108100	5.898	1,081.00	638,492.80
11/25/08	sino forest	s	tre	-108700	5.549	1,087.00	602,089.30
11/28/08	sino forest	s	tre	-310300	5.657	3,103.00	1,721,234.10
11/27/08	sino forest	s	tre	-10000	6.174	1,000.00	61,640.00
11/28/08	sino forest	s	tre	-4000	6.870	40.00	27,440.00
12/1/08	sino forest	s	tre	-2000	6.700	20.00	13,360.00
	sino forest	s	tre	-2000	6.420	20.00	12,820.00
	sino forest	s	tre	-700	6.600	7.00	4,613.00
12/2/08	sino forest	s	tre	-2000	6.600	20.00	13,180.00

0426

	sino forest	s	tre	-2000	6.850	20.00	13,880.00
12/3/08	sino forest	s	tre	-2000	6.700	20.00	13,380.00
12/4/08	sino forest	s	tre	-2000	7.000	20.00	13,980.00
	sino forest	s	tre	-2000	7.300	20.00	14,580.00
12/8/08	sino forest	s	tre	-2000	8.080	20.00	16,140.00
	sino forest	s	tre	-2000	8.150	20.00	16,280.00
12/10/08	sino forest	s	tre	-2000	9.500	20.00	18,980.00
	sino forest	s	tre	-2000	10.600	20.00	20,980.00
	total sale			-1035300	8.090		8376027
		remaining		336200	6.1066		-2,053,039.54
3/2/09	sino forest	b	tre	2000	6.000	20.00	-16,020.00
12/16/09	sino forest	b	tre	30000	16.800	0.00	-504,000.00
12/17/09	sino forest	b	tre	10000	17.380	100.00	-174,000.00
12/29/09	sino forest	b	tre	10000	19.600	100.00	-198,100.00
12/30/09	sino forest	b	tre	5000	19.3100	50.00	-98,600.00
12/31/09	sino forest	b	tre	5000	19.2300	50.00	-98,200.00
1/6/10	sino forest	b	tre	10000	20.5500	100.00	-205,600.00
1/11/10	sino forest	b	tre	10000	20.8400	100.00	-208,600.00
1/14/10	sino forest	b	tre	10000	20.5000	100.00	-205,100.00
6/7/10	sino forest	b	tre	500	16.0000	5.00	-8,005.00
1/13/11	sino forest	b	tre	20000	23.0000	200.00	-460,200.00
5/8/11	sino forest	b	tre	10000	21.3700	100.00	-213,800.00
5/13/11	sino forest	b	tre	10000	19.7400	100.00	-197,500.00
5/24/11	sino forest	b	tre	10000	19.0000	100.00	-190,100.00
5/25/11	sino forest	b	tre	10000	19.1000	100.00	-191,100.00
5/25/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
5/25/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
6/2/11	sino forest	b	tre	10000	17.0000	100.00	-170,100.00
	total			518700	10.7318		-5566594.54
6/3/11	sino forest	s	tre	-488700	5.4400	0.00	2658628.00
8/10/11	sino forest	s	tre	-30000	6.3397	1,089.30	169100.70
	total sale			-518700	5.4321		2817628.70
		remaining		0			2,748,935.84

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT
and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN,
KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC
WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

I, MICHAEL GALLAGHER, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the chair of the board of trustees of the International Union of Operating Engineers Local 793 Pension Plan (the "OE Fund"), plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Mark Zigler of Koskie Minsky

LLP, counsel to the OE Fund, and Chris Brisebois of Eckler Ltd., actuaries and investment counsel to the OE Fund, and I believe that such information is true.

2. The OE Fund Plan was established on November 1, 1973. It is a specified multi-employer pension plan and it administered by a board of trustees. Almost all of the members of the plan are qualified operating engineers or apprentices working primarily in the Ontario construction industry as operators of cranes or other heavy equipment.

3. I swear this affidavit in support of the plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the Ontario *Securities Act* and for no other or improper purpose.

4. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

5. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".

6. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

7. The trustees brought this claim to recover investor losses, including those of the OE Fund, and in the interests of proper disclosure from issuers. The trustees have a strong interest in the health and proper function of the Canadian capital markets.

8. The trustees of the OE Fund have commenced this action to ensure that the defendants are held accountable for their behaviour and to deter similar conduct by others. The trustees have no ulterior motive, nor any improper or collateral purpose in commencing this action.

OE FUND'S INVESTMENT IN SINO-FOREST CORPORATION

9. The trustees invested in Sino shares through four asset managers: McLean Budden Ltd., Morrison Williams Investment Management Ltd., Greystone Managed Investment Inc., and TD Asset Management Inc. ("TDAM"). I am advised by Chris Brisebois of Eckler Ltd. and I believe that the following reflects the trustees' transactions in Sino shares.

10. The fund's assets were invested on a segregated fund basis by Morrison Williams, Greystone and McLean Budden, and on a pooled fund basis by TDAM.

11. On the trustees' behalf, McLean Budden purchased 42,000 Sino shares between February 1, 2011 and May 24, 2011, which had a market value of \$18.21 per share or \$764,820 at the close of trading on June 1, 2011. The trustees sold their holdings on June 21, 2011 at a share price of \$1.84 for net proceeds \$77,170.80.

12. On the trustees' behalf, Morrison Williams purchased 181,700 Sino shares between January 20, 2011 and June 1, 2011, which had a market value of \$18.21 per share or \$3,308,757 at the close of trading on June 1, 2011. The trustees sold their holdings on June 3, 2011 at an average share price of \$5.147 for net proceeds of \$1,524,026.70.

13. On the trustees' behalf, Greystone purchased 100,400 Sino shares between July 5, 2007 and May 26, 2011, which had a market value of \$18.21 per share or \$1,828,384 at the close of trading on June 1, 2011. The trustees sold many of these shares in July and August and continue to hold approximately 37,350 Sino shares. The market price for these shares at the imposition of the cease-trade order by the Ontario Securities Commission on August was \$4.91.

14. Attached and marked as **Exhibit "A"** is a summary of these transactions in Sino's shares.

15. The trustees also purchased units of a pooled fund managed by TDAM that held Sino shares between June 15, 2007 and June 9, 2011.

SWORN before me at at the City of)
Oakville, on February 27, 2012.)
)
)
)
)
)
_____)
A Commissioner, etc.)

_____)
MICHAEL GALLAGHER)

TRUSTEES OF THE LABOURERS' and SINO-FOREST CORPORATION *et al.*
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Plaintiffs

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

**EXHIBIT "A" TO THE AFFIDAVIT OF MICHAEL GALLAGHER
SWORN BEFORE ME, THIS 27 DAY OF FEBRUARY, 2012.**



Commissioner for Taking Affidavits

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
McLean Budden			
01-Feb-11	Buy	5,700	\$22.2215
02-Feb-11	Buy	2,500	\$22.7232
03-Feb-11	Buy	2,800	\$22.7766
04-Feb-11	Buy	2,700	\$23.2396
07-Feb-11	Buy	2,000	\$23.8432
08-Feb-11	Buy	8,800	\$24.4734
08-Feb-11	Buy	1,500	\$24.55
17-May-11	Buy	300	\$20.48
17-May-11	Buy	3,500	\$20.6637
18-May-11	Buy	2,500	\$20.8238
18-May-11	Buy	400	\$20.79
19-May-11	Buy	500	\$20.9666
19-May-11	Buy	1,900	\$21.0764
20-May-11	Buy	4,500	\$20.4702
24-May-11	Buy	2,400	\$19.4105
21-Jun-11	Sell	42,000	\$1.8407
Morrison Williams			
20-Jan-11	Buy	181,700	\$21.535
14-Mar-11	Buy	83,800	\$21.526
15-Mar-11	Buy	30,600	\$21.616
3-Jun-11	Sell	296,100	\$5.147
Greystone			
05-Jul-07	Buy	800	\$17.1374
06-Jul-07	Buy	700	\$17.0498
09-Jul-07	Buy	200	\$17
10-Jul-07	Buy	1800	\$17.042
11-Jul-07	Buy	300	\$17.25
16-Jul-07	Buy	400	\$17.6
17-Jul-07	Buy	900	17.7783

18-Jul-07	Buy	3900	17.9749
18-Jul-07	Buy	300	17.8849
20-Jul-07	Buy	2700	18.8874
23-Jul-07	Buy	600	18.4758
24-Jul-07	Buy	600	18.0999
25-Jul-07	Buy	1000	17.3125
26-Jul-07	Buy	700	16.7498
27-Jul-07	Buy	2200	17.098
30-Jul-07	Buy	3200	17.1184
31-Jul-07	Buy	5000	17.171
01-Aug-07	Buy	600	15.9966
02-Aug-07	Buy	200	16.05
03-Aug-07	Buy	400	16.05
07-Aug-07	Buy	600	15.4422
09-Aug-07	Buy	1000	15.7949
10-Aug-07	Buy	1200	14.9193
10-Aug-07	Buy	1000	15.2581
13-Aug-07	Buy	1000	15.0395
14-Aug-07	Buy	800	15.1954
15-Aug-07	Buy	800	14.9744
16-Aug-07	Buy	4600	13.8702
17-Aug-07	Buy	2250	13.9638
20-Aug-07	Buy	800	14.0159
21-Aug-07	Buy	2200	13.9995
22-Aug-07	Buy	300	14.3237
23-Aug-07	Buy	1400	16.1001
24-Aug-07	Buy	450	16.9357
29-Aug-07	Buy	1000	17.4422
30-Aug-07	Buy	600	17.5898
04-Sep-07	Buy	5200	18.23
10-Sep-07	Buy	1000	18.85
26-Sep-07	Buy	1600	22.2955

27-Sep-07	Buy	1200	21.8191
02-Oct-07	Buy	800	23.2441
03-Oct-07	Buy	5430	23.1858
04-Oct-07	Buy	2300	23.165
11-Oct-07	Buy	3970	24.7695
23-Oct-07	Sell	2700	22.4873
22-Jan-08	Buy	2900	15.9431
28-Jan-08	Sell	700	17.711
26-Feb-08	Sell	270	19.1641
04-Mar-08	Sell	1200	18.9003
20-Mar-08	Buy	2200	14.9113
04-Apr-08	Sell	2700	17.5524
21-Apr-08	Sell	1200	15.3125
22-Apr-08	Sell	600	15.2969
21-May-08	Sell	860	18.0225
22-May-08	Sell	840	17.99
08-Jul-08	Buy	1400	16.4677
11-Aug-08	Buy	1720	14.9995
12-Aug-08	Buy	130	16.4084
13-Aug-08	Buy	2100	17.5051
20-Aug-08	Buy	320	18.8381
21-Aug-08	Buy	1380	19.4353
10-Sep-08	Buy	1740	17.7225
11-Sep-08	Buy	880	18.0153
07-Oct-08	Buy	3260	10.7574
14-Oct-08	Buy	1900	10.6571
15-Oct-08	Buy	4700	9.9627
18-Nov-08	Buy	2400	6.6901
21-Nov-08	Buy	1700	5.6527
25-Feb-09	Buy	4100	8.9626
26-Feb-09	Buy	1400	8.9057
21-May-09	Sell	1600	12.6417

02-Jun-09	Sell	1700	13.256
06-Oct-09	Sell	1200	16.5709
18-Feb-10	Buy	2900	20.2981
13-May-10	Sell	1700	18.3831
09-Jun-10	Buy	1000	16.4574
20-Jul-10	Buy	1500	16.1303
08-Sep-10	Sell	1300	18.7328
07-Oct-10	Sell	4800	17.3474
09-Nov-10	Sell	1600	22.262
04-Feb-11	Sell	1660	22.9815
16-Mar-11	Buy	1400	21.9237
05-May-11	Buy	700	21.268
26-May-11	Buy	17300	18.4451
6-Jul-11	Sell	22800	4.7579
26-Jul-11	Sell	17,900	7.4341
27-Jul-11	Sell	3,100	7.5853
26-Aug-11	Sell	16,310	1.72

Court File No. CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF INGRID ALBINSSON AND SVANTE LINDER

WE, INGRID ALBINSSON AND SVANTE LINDER, of the City of Stockholm, in the Country of Sweden, MAKE OATH AND SAY:

1. We are, respectively, the Chief Strategist and Head of Administration of Sjunde AP-Fonden ("AP7"), a plaintiff in this action. Accordingly, we have knowledge of the matters herein deposed. Where we make statements in this affidavit based on information not within personal knowledge, we have been informed by AP7's lawyers at Siskinds LLP and Koskie Minsky LLP, and believe such information to be true.

- 2 -

2. We swear this affidavit in support of the Plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the *Ontario Securities Act*, and for no other or improper purpose.
3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".
5. In this action, AP7 alleges, on its own behalf and on behalf of the Class of investors that acquired Sino's securities during the material time, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.
6. AP7 brought this action to recover its investment losses, to ensure that the defendants are held accountable for their behaviour, to deter similar conduct by others, and to safeguard the health and transparency of the public markets. It commenced this action in good faith and has no ulterior motive, nor any improper or collateral purpose for starting these proceedings.

BACKGROUND OF AP7

7. In 2000, AP7, the Seventh Swedish National Pension Fund, was established, and began investing as part of Sweden's national pension system. Under the Swedish national

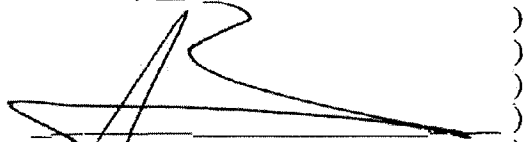
pension system, 2.5% of an individual's pensionable income is paid to the "premium pension" system, in which this individual may choose to invest his or her contributions in authorized mutual funds or the government option managed by AP7. For those who do not make an affirmative selection, their contributions default for management by AP7.

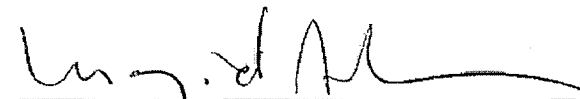
- 8. AP7 is governed by a Board of Directors. As of June 30, 2011, it had approximately 103 Billion SEK (equivalent to approximately \$15.9 billion, at current exchange rates) in assets under management.
- 9. AP7 is authorized to initiate and prosecute legal actions on behalf of the funds it manages, and no other person or entity other than AP7 may commence claims on behalf of those funds.


AP7'S INVESTMENT IN SINO-FOREST CORPORATION

- 10. AP7 purchased Sino shares between April 21, 2010 and January 14, 2011. Those purchases were made in the secondary market over the TSX.
- 11. AP7's funds held a total of 139,398 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,538,438 in total. On August 24, 2011, AP7 sold 43,095 Sino shares for net proceeds \$188,829.36. AP7 continues to hold 96,303 shares of Sino.
- 12. Attached and marked as Exhibit "A" is a summary of the transactions outlined above.

SWORN OR AFFIRMED before)
me at at the City of Stockholm on)
February 27, 2012.)


A Commissioner, etc.)
Anders Månsson


Ingrid Albinsson


Svante Linder

TRUSTEES OF THE LABOURERS' and
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Plaintiffs

SINO-FOREST CORPORATION *et al.*

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF INGRID ALBINSSON AND
SVANTE LINDER**

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Ptak (LSUC#: 45773F)

Tel: 416-595.2149

Fax: 416.204.2903

Lawyers for the Plaintiffs

This is Exhibit "A" mentioned
and referred to in the Affidavit
of *Svante Linder and*
Ingrid Albinsson

, sworn before me at the City of
Stockholm

, in the Country of *Sweden*, this
day of *2 March* 2012.


A Commissioner, etc.

Anders Månsson

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
4/21/2010	Purchase	2,945	\$19.6985
4/22/2010	Purchase	4,990	\$19.60
4/22/2010	Purchase	1,020	\$19.80
4/23/2010	Purchase	3,500	\$19.40
4/26/2010	Purchase	1,994	\$19.5122
4/27/2010	Purchase	71,300	\$19.3148
4/28/2010	Purchase	6,085	\$19.3205
4/27/2010	Purchase	1,300	\$19.3152
4/28/2010	Purchase	4,070	\$18.6711
5/3/2010	Purchase	3,082	\$17.6924
5/6/2010	Purchase	4,123	\$18.0285
5/7/2010	Purchase	3,469	\$17.3641
5/10/2010	Purchase	5,147	\$17.7518
5/11/2010	Purchase	1,983	\$17.6461
5/13/2010	Purchase	6,186	\$17.3280
5/14/2010	Purchase	12,800	\$14.4779
5/14/2010	Purchase	4,630	\$14.3549
6/5/2010	Sale	49,092	\$15.2817



2

Court File No. CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
 EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
 OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
 ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT
 and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
 known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN,
 KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
 JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
 WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
 SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
 CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC
 WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
 FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
 SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JOSEPH MANCINELLI

I, JOSEPH MANCINELLI, of the City of Hamilton, in the Province of Ontario,

MAKE OATH AND SAY:

1. I am the chair of the board of trustees of the Labourers' Pension Fund of Central and Eastern Canada (the "Labourers Fund"), plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Michael Mazzuca of Koskie Minsky LLP,

counsel to the Labourers Fund, and Janet Rabovsky of Towers Watson, investment counsel to the Labourers Fund, and I believe that such information is true.

2. The Labourers Fund was established on February 23, 1972 by the Labourers International Union of North America. It is a specified multi-employer pension plan and is administered by a board of trustees.

3. I swear this affidavit in support of the plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the Ontario *Securities Act* and for no other or improper purpose.

4. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

5. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".

6. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

7. The trustees brought this action because of the Labourers Fund's investment losses and because of their concern that public markets remain healthy and transparent. While cases

such this are relatively rare, the trustees, as part of their ongoing fiduciary responsibilities, will consider pursuing cases in which they believe an individual or company has committed fraud or made misrepresentations to investors and a loss to the fund has resulted.

8. The trustees have commenced this action to ensure that the defendants are held accountable for their behaviour and to deter similar conduct by others. The trustees have no ulterior motive, nor any improper or collateral purpose in commencing this action.

LABOURERS FUND'S INVESTMENT IN SINO-FOREST CORPORATION

9. The trustees purchased Sino-Forest shares between December 2009 and June 2011. Most of these purchases were made in the secondary market over the Toronto Stock Exchange. I am advised by Janet Rabovsky of Towers Watson and I believe that the following reflects the trustees' transactions in Sino shares.

10. The trustees invested in Sino-Forest shares through two asset managers: Fiera Sceptre Inc. and TD Asset Management Inc. ("TDAM"). The plan's assets were invested on a segregated fund basis by Fiera Sceptre and on a pooled fund basis by TDAM.

11. On December 11, 2009, the trustees purchased 32,300 shares at a cost of \$16.80 per share in a primary market distribution pursuant to the Final Short Form Prospectus dated December 10, 2009. This trade was placed through Credit Suisse and settled on December 17, 2009.

12. The trustees held a total of 128,700 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,343,627 at the close of trading on June 1, 2011. On June 2 and 3, 2011,

the trustees sold their holdings for net proceeds of \$695,993.96. Attached and marked as **Exhibit "A"** is a summary of the trustees' transactions in Sino's shares.

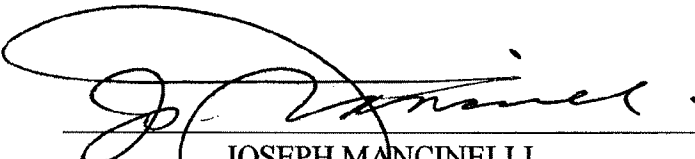
13. The trustees also purchased units in two pooled funds managed by TDAM that held Sino-Forest shares. On May 31, 2011 the trustees held \$367,000,000 in these pooled funds. On the same date, the pooled funds had invested approximately 0.38% of the funds in shares of Sino-Forest. The trustees' holdings of Sino-Forest were valued at approximately \$1,386,104. As of June 30, 2011, the value of Sino-Forest shares in the pooled funds fell to 0.08% of the total assets of the pooled fund and the trustees holdings of Sino-Forest had a value of approximately \$291,811.

SWORN before me at the City of)
Hamilton, on March 1, 2012.)



A Commissioner, etc.

James Harnum
LSUC # 60459F



JOSEPH MANCINELLI

TRUSTEES OF THE LABOURERS' and SINO-FOREST CORPORATION *et al.*
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Plaintiffs

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JOSEPH MANCINELLI

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

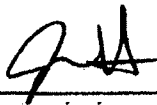
A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

**EXHIBIT "A" TO THE AFFIDAVIT OF JOSEPH S. MANCINELLI
SWORN BEFORE ME, THIS 1 DAY OF MARCH, 2012**



Commissioner for Taking Affidavits

James Harum
LSUC # 60459F

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
11-Dec-09	Buy	6,500	\$17.443
11-Dec-09	Buy	6,500	\$17.351
11-Dec-09	Buy	6,500	\$17.329
11-Dec-09	Buy	13,000	\$17.203
11-Dec-09	Buy	11,800	\$17.250
11-Dec-09	Buy	32,300	\$16.800
18-Dec-09	Buy	8,300	\$17.260
18-Dec-09	Buy	8,800	\$17.250
04-Jan-10	Sell	6,900	\$19.694
12-Jan-10	Sell	10,700	\$21.104
17-Feb-10	Sell	11,700	\$19.775
18-Mar-10	Buy	9,300	\$19.487
29-Mar-10	Buy	18,400	\$19.000
01-Apr-10	Sell	7,300	\$20.065
01-Apr-10	Sell	5,900	\$20.086
16-Apr-10	Sell	35,600	\$19.846
19-Apr-10	Sell	16,000	\$19.781
04-May-10	Sell	4,900	\$17.880
05-May-10	Sell	6,100	\$17.628
05-May-10	Sell	5,700	\$17.533
05-May-10	Sell	10,600	\$17.780
08-Jul-10	Buy	17,800	\$15.600
08-Jul-10	Buy	27,900	\$15.500
09-Jul-10	Buy	4,700	\$15.825
09-Jul-10	Buy	100	\$15.960
12-Jul-10	Buy	2,500	\$16.038
13-Jul-10	Buy	14,400	\$16.000
13-Jul-10	Buy	5,900	\$16.000
28-Sep-10	Buy	13,200	\$16.852
28-Sep-10	Buy	8,700	\$16.870
01-Oct-10	Buy	9,300	\$17.200
14-Oct-10	Sell	4,900	\$19.279

14-Oct-10	Sell	10,200	\$19.360
21-Oct-10	Sell	1,300	\$20.419
04-Nov-10	Buy	5,000	\$21.378
04-Nov-10	Buy	3,300	\$21.378
05-Nov-10	Buy	8,300	\$21.420
05-Nov-10	Buy	5,900	\$21.280
10-Nov-10	Buy	7,500	\$22.097
10-Nov-10	Buy	1,300	\$22.000
13-Dec-10	Sell	8,400	\$24.140
20-Jan-11	Sell	4,200	\$21.602
20-Jan-11	Sell	2,900	\$21.602
21-Jan-11	Sell	3,100	\$21.750
21-Jan-11	Sell	200	\$21.623
03-Feb-11	Sell	7,000	\$22.800
08-Feb-11	Sell	2,500	\$24.490
08-Feb-11	Sell	5,400	\$24.485
08-Feb-11	Sell	800	\$24.500
18-Feb-11	Sell	6,900	\$22.493
18-Feb-11	Sell	3,200	\$22.493
15-Mar-11	Buy	10,500	\$21.273
15-Mar-11	Buy	2,900	\$21.228
15-Mar-11	Buy	1,200	\$21.750
15-Mar-11	Buy	6,500	\$21.786
18-Mar-11	Buy	3,300	\$23.196
18-Mar-11	Buy	5,700	\$23.150
30-Mar-11	Sell	9,500	\$24.990
31-Mar-11	Sell	2,300	\$25.790
31-Mar-11	Sell	3,600	\$25.790
07-Apr-11	Sell	300	\$24.790
07-Apr-11	Sell	100	\$24.760
11-Apr-11	Sell	2,200	\$24.083
12-Apr-11	Sell	4,000	\$23.658
14-Apr-11	Sell	8,900	\$24.000
14-Apr-11	Sell	8,500	\$24.300

11-May-11	Sell	1,100	\$21.821
13-May-11	Buy	9,400	\$19.550
13-May-11	Buy	4,800	\$19.550
13-May-11	Buy	4,100	\$19.550
13-May-11	Buy	12,200	\$19.499
16-May-11	Buy	8,000	\$19.750
18-May-11	Sell	5,300	\$20.820
18-May-11	Sell	3,800	\$20.820
25-May-11	Buy	12,800	\$19.160
25-May-11	Buy	4,000	\$19.123
25-May-11	Buy	4,600	\$19.140
27-May-11	Buy	4,600	\$17.800
27-May-11	Buy	2,300	\$17.800
30-May-11	Buy	2,300	\$18.810
30-May-11	Buy	1,500	\$18.769
30-May-11	Buy	2,800	\$18.730
02-Jun-11	Sell	300	\$13.813
03-Jun-11	Sell	8,900	\$5.007
03-Jun-11	Sell	17,700	\$5.375
03-Jun-11	Sell	22,200	\$5.321
03-Jun-11	Sell	48,700	\$5.319
03-Jun-11	Sell	21,700	\$5.701
03-Jun-11	Sell	8,800	\$6.024
03-Jun-11	Sell	400	\$5.230

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT
WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN,
KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST,**

**PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC
WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the Class Proceedings Act, 1992

**AFFIDAVIT OF STEPHEN GOWAN CHANDLER
(sworn February 29, 2012)**

**I, STEPHEN GOWAN CHANDLER, of the city of Hong Kong, in the country of the People's
Republic of China, MAKE OATH AND SAY:**

- 1. I am a consultant to Key Business Connections Ltd. ("KBC") a company incorporated in Hong Kong, in the People's Republic of China ("PRC").

- 2 -

2. I have knowledge of the matters to which I hereinafter depose. Where that knowledge is based on information obtained from others, I have so indicated and believe that information to be true.
3. I swear this affidavit in support of the plaintiffs' motion seeking an order granting leave to the plaintiffs to pursue the causes of action under Part 23.1 of the Ontario *Securities Act*, RSO 1990, c S 5. I swear this affidavit for no improper purpose.

I. KBC'S BACKGROUND AND MY QUALIFICATIONS

4. I am a permanent resident of Hong Kong, where I act as a consultant to KBC.
5. KBC was incorporated in Hong Kong on June 12, 2007, for the purpose of providing a broad spectrum of investigative services. Such services include, among other things, due diligence, background investigations, litigation support, management of intellectual property, and grey market investigations, all primarily in the PRC. Since 2007, KBC has provided litigation support for hedge funds, law firms, and banks in Hong Kong and elsewhere. KBC works with a number of contractors. For matters in the PRC, KBC works with Intellect Consultancy Ltd. ("Intellect Consultancy"), a company incorporated in Hong Kong. Intellect Consultancy conducts research and investigations in the PRC, and has offices and staff in Shenzhen and Shanghai.
6. I hold a Doctorate degree in Education from Bristol University and a Masters in Training from Leicester University, both of which are in the United Kingdom ("UK"). I have obtained professional qualifications and experience, together with formal awards, in the area of criminal investigations during more than thirty-five years of employment with the Northumbria Police in the United Kingdom and the Hong Kong Police in China. I am a Fellow of the Chartered Management Institute (UK) and a member of the Asian Crisis and Security Group. I have been qualified as an expert in the areas of counterfeit security script by courts in Malaysia, Portugal (Macau), and Hong Kong.
7. With respect to my professional police qualifications, I have obtained or completed the

following:

- a. A Certificate in Police Studies from Framwellgate College, Durham UK;
 - b. The UK Police Force professional promotion examination for the rank of Sergeant;
 - c. Police Senior Professional examinations for promotions to the ranks of Inspector, Chief Inspector, and Superintendent in the Special Administrative Region ("SAR") of Hong Kong;
 - d. Detective Training in the UK and Hong Kong SAR;
 - e. The Inspectors Command Course and the Senior Police Command Course in the Hong Kong SAR;
 - f. The Senior Police Command Course in Scotland, UK;
 - g. Advanced Hostage Negotiator and incident management training delivered by the UK, United States (Joint Services Training) and Hong Kong; and
 - h. Counterfeit and forgery techniques and investigation studies with the US Secret Service and security printers/paper makers both in the United States and Great Britain
8. I spent the first seven years of my police career in the UK, followed by 28 years with the Royal Hong Kong Police (now referred to as the Hong Kong SAR Police). I specialised in criminal investigations and worked with a number of law enforcement bodies outside of Hong Kong and China, while undertaking commercial crime investigations involving Chinese companies and nationals. In 1995, I was awarded the Colonial Police Medal by Her Majesty the Queen of England. In 2004 I was awarded the Chief Executive of Hong Kong's Commendation.
9. I have extensive experience investigating commercial crime. I worked in the Commercial Crime Bureau of the Hong Kong Police for five years in the ranks of inspector, senior inspector, and chief inspector. I undertook several complex investigations into commercial fraud and received a number of commendations for my work from the Hong Kong Police, Hong Kong Judiciary, United States Secret Service, and the Hong Kong and Shanghai Banking Corporation.
10. Upon promotion to Superintendent of Police in 1985 I was attached to the Internal Investigation Branch. Upon promotion to Senior Superintendent of Police in 1991, I was

- made head of the Joint Services Anti-Smuggling Task Force, which focused upon eradicating cross-border smuggling and tax evasion in Hong Kong and Mainland China. During this period I worked very closely with Mainland Chinese government officials for over two years.
11. I was promoted to Chief Superintendent of Police in 1996 and took up the position as head of the Complaints and Internal Affairs Bureau of the Hong Kong Police Force. In this position, I undertook due diligence investigations into individuals who were being considered for sensitive posts or promotion to senior ranks within the Hong Kong Police. I also assisted other government departments in their due diligence enquires. As part of my duties, I conducted and managed a number of complex and sensitive internal investigations into criminality and misconduct alleged against police officers. I left this post upon my promotion to the Assistant Commissioner of Police in December 2000.
 12. I retired from the Hong Kong Police in 2005 to take up an appointment on the board of management of the Hong Kong Jockey Club as the Executive Director Security and Corporate Legal Services. The Hong Kong Jockey Club is a not for profit charitable organisation with over US\$15 billion in turnover in the gaming and leisure market including horse racing, sports betting, hotel/restaurants, golf courses, equestrian centres, and retail outlets in Hong Kong and China. This was a key position within the organization with responsibility for the maintenance of the ethics, integrity and for corporate governance. During this period I personally conducted or managed due diligence investigations of vendors, suppliers, new employees, as well as potential business partners. I also conducted internal investigations to assist the Audit Department in their support of good corporate governance. I left the Hong Kong Jockey Club in December 2010.
 13. Since December 2010, I have worked as a consultant, conducting due diligence research and investigations in Asia. During this period I have undertaken work on a number of due diligence investigation matters for the Casino Regulatory Authority of the Singapore Government.
 14. I currently provide consultancy services to KBC.

II. MY RETAINER IN THIS MATTER

15. On or about July 2, 2011, KBC was retained by Siskinds LLP and Koskie Minsky LLP to provide investigative services in support of a proposed class proceeding in which the primary defendant was Sino-Forest Corporation (“Sino-Forest”).
16. I was retained in this matter on January 24, 2012. I was tasked by Siskinds LLP and Koskie Minsky LLP to conduct an inquiry into the specific matters addressed below.

III. MATERIALS REVIEWED

17. During the course of my investigation, I have reviewed the following documentary material:
 - a. Muddy Waters Research report on Sino-Forest, dated June 2, 2011 (“Muddy Waters Report”);
 - b. The statement of claim in this action;
 - c. The First Interim Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation (“First Report”), the Second Interim Report of the Independent Committee of the Board of Directors of Sino-Forest Corporation (“Second Report”), and Final Report of the Independent Committee of the Board of Directors of Sino-Forest Corporation (“Final Report”) and all schedules and attachments thereto;
 - d. The following *Globe and Mail* articles relating to Sino-Forest:
 - i. “Sino-Forest On Track With Operations And First Quarter Reporting; Not Aware Of Any Reason For Share Price Decline”, Dated: Wednesday, May 25, 2011
 - ii. “Pöyry Releases Sino-Forest's China Forest Asset 2010 Valuation Reports” Dated: Friday, May 27, 2011
 - iii. “Sino-Forest Signs Long-Term Master Agreements To Acquire 266,000 Hectares Of Plantation Forests In Shaanxi And Yunnan Provinces” Dated: Monday, May 30, 2011
 - iv. “Sino-Forest Releases Supporting Evidence Against Allegations From Short Seller” Dated: Monday, June 06, 2011

- v. "Key partner casts doubt on Sino-Forest claim" Dated: June. 20, 2011
 - vi. "On the trail of the truth behind Sino-Forest" Dated: September 2, 2011
 - vii. "Sino-Forest Responds To Request To Commence Action Against Certain Insiders And Others" Dated: Friday, October 14, 2011
 - viii. "Sino-Forest Announces Resignation Of Director" Dated: Friday, November 04, 2011
 - ix. "Sino-Forest Announces The Resignation Of Allen Chan As Chairman And Chief Executive Officer And His Appointment As Founding Chairman Emeritus" Dated: Sunday, August 28, 2011
 - x. "The empire Sino Forest built and the farmers who paid the price" Dated: November. 10, 2011
 - xi. "Sino-Forest Announces Findings Of The Independent Committee" Dated: Tuesday, November 15, 2011
 - xii. "Sino-Forest executives linked to key timber supplier" Dated: December. 12, 2011
 - xiii. "Sino-Forest Releases Final Report Of The Independent Committee" Dated: Tuesday, January 31, 2012
 - xiv. "Why Sino-Forest's web is so hard to untangle" Dated: February 1, 2012
- e. Various Sino-Forest filings with the Ontario Securities Commission, as set out below;
 - f. Various media and Internet material relating to Sino-Forest, both in English and Chinese;
 - g. Statutory filings by Sino-Forest subsidiaries, associates, suppliers and customers in Hong Kong and China; and
 - h. Subscription databases in Hong Kong and China.

18. Statutory information on companies incorporated in Hong Kong and China can be downloaded from government and commercial databases via the Internet. Corporate statutory documents are available at the offices of the Registrar of Companies in Hong Kong, as well as on the Internet via a website known as ICRIS, which is operated by the Registrar of Companies.

19. The Administration of Industry and Commerce ("AIC") in China is a government office that retains detailed records of companies in China. Through KBC's agents in China, we have ordered the entire AIC records for certain subsidiaries, associates, joint ventures, customers and suppliers of Sino-Forest. These documents are written in Chinese, and have been translated to English for my review. I verily believe that the translation of the files, documents, and records which I have obtained and reviewed are true and accurate translations of the original documents.
20. The AIC files identified in this affidavit are voluminous. Accordingly, I attached only the relevant excerpts from those records and the translations. Copies of the complete AIC files have been retained and are available for examination on request.
21. The translation of the vast majority of the exhibits in this affidavit have been prepared by Wong Kam Yee of Intellect Consultancy. Since 1981, Ms. Wong has provided translation services to regulatory agencies in Hong Kong and China, law firms and multi-nationals seeking to enforce their commercial rights or make criminal complaints. She has translated investigation reports, supporting documents (including extracts from AIC files) and letters of complaint. Ms. Wong has translated thousands of documents over that period of time which have been accepted and exhibited to legal actions in the Courts of Hong Kong.
22. In limited circumstances we also used Diners Professional Translations Services Ltd ("Diners") to provide translations. Diners is a professional translation service incorporated in Hong Kong. Diners provides professional translation services to law firms and other institutions, and specialises in technical translations of legal, contractual, and sophisticated commercial documents. Diners provided translations of certain of the Leizhou EJV documents which are footnoted below. The remainder of the exhibits referred to in this affidavit were, in all cases translated by Madam Wong Kam Yee. The person at Diners that was responsible for the translation of documents attached to this affidavit was Mr. Lam Shing-Ming. Mr. Lam has a Masters of Arts in translation from the Chinese University of Hong Kong and is a member of the Chartered Institute of Linguists.

23. Attached and marked as Exhibits “SSS” and “TTT” are copies of the Chinese AIC documents and their translations, along with a notarized declaration from Wong Kam Yee and Lam Shing-Ming the individuals who translated those documents. Where I refer to specific AIC documents in this affidavit, those documents have been extracted from Exhibits “SSS” and Exhibit “TTT”.
24. Persons resident in Hong Kong and China are issued an identity card with a unique number. It is possible to have both a Hong Kong identity card and a PRC identity card. For example, Allen Chan Tak Yuen (“Allan Chan”) who is also known by the pinyin translation of his name, Chen Deyuan, has an identity card issued to him by the Hong Kong government: ID #: E459151(1). When analyzing corporate filings both in Hong Kong and China, I have relied on these unique identifiers as evidence that specific named individuals are directors and shareholders of relevant companies.

IV. FINDINGS

25. Based on our review, and as set out in more detail below, we found:
- a. Allen Chan and New Ross Investments Ltd. (“New Ross”) the company of which he was the principal shareholder and director, were sued by a PRC state-owned company for failing to properly invest monies invested with New Ross and for passing bad cheques.
 - b. It appears that Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd., a company that purported to provide sales for Sino-Forest, was a shell and never did any business from the issuance of its business licence and the commencement of the joint venture.
 - c. Despite claims in Sino-Forest’s public disclosure that it had invested in Shanghai Jin Xiang Timber Ltd. (“SJXT”), it appears that neither Sino-Forest nor any of its subsidiaries had any such investment.
 - d. With respect to Homix Limited:

- i. Sino-Forest disclosed that one of its subsidiaries acquired Homix Limited (“Homix”). However, it failed to disclose that one of Sino’s vice presidents, Chen Hua, was a major shareholder of a Homix subsidiary at the time of the acquisition.
 - ii. The patents that belong to Homix and its subsidiaries do not correspond with the description of those patents in Sino-Forest’s disclosure documents.
- e. Contrary to the statements made in the Final Report of the Independent Committee of Sino-Forest, maps are in fact allowed and have been widely used in Mainland China for at least the last three years.
 - f. Chen Jun, a member of Sino-Forest’s management, was still recorded as a fifty-percent shareholder of Sonic Jita Engineering Company Limited (“Sonic Jita”) at the time that Muddy Waters released its report on Sino-Forest on June 2, 2011.

(a) Allen Chan and New Ross Investments Ltd.

26. On December 19, 1990, Allen Chan and the company of which he was the principal shareholder and director, New Ross, were sued by the China Foreign Trade Leasing Corporation and Sumlease Investment Ltd for the sum of US\$799,979.92. A copy of this writ, High Court Writ 8671 of 1990, which was filed with the Supreme Court Registry in Hong Kong, is attached and marked as **Exhibit “A”**.
27. New Ross was incorporated in Hong Kong on September 1, 1988. Allen Chan was a director along with a corporate nominee named Ramillies Limited. On November 29, 1988, Allen Chan was issued 499,998 shares at HK\$10 per share out of 500,000 shares. Attached and marked as **Exhibit “B”** are a copy of the certificate of incorporation and copies of statutory corporate filings by New Ross with the Registrar of Companies for the period September 1, 1988 to February 28, 1997, together with a notice from the Registrar of Companies advising that New Ross was struck off the Register of Companies for failing to make annual corporate returns and to pay the fines levied by the government.

28. China Trade Foreign Leasing Corporation was a Chinese government organization. Sunlease Investment Ltd was a company incorporated in Hong Kong whose majority shareholder was the China Foreign Trade Leasing Corporation. The writ alleged that Allen Chan and New Ross were loaned US\$647,474.75 for the purpose of buying the issued shares of "Tai Yuen Shipyard Limited and in no circumstances shall the same be used for any other Purpose".
29. The writ alleges that Allen Chan admitted he had not used the money advanced for the purpose of the purchase of the shares of Tai Yuen Shipyard as required by the agreement. It also alleges that Mr. Chan did not provide development plans, financial reports, and profit and loss accounts prepared by qualified accountants and reports on business management.
30. The writ alleges that, once this conduct came to the plaintiffs' attention, Allen Chan requested an extension of time and modification of the restriction on the use of the funds. The parties agreed to the extension and modification of the restrictions as part of a second agreement. The writ further alleges that, in the second agreement, Allen Chan was advanced US\$683,551 for the purposes of repaying the first agreement.
31. The writ alleges that Allen Chan gave the plaintiff two post-dated cheques for HK\$300,000 and HK\$700,000 and that they were dishonoured on presentation on the due dates. This was *prima facie* an offence against section 18(1) of the Theft Ordinance, Laws of Hong Kong if the cheques were handed over in Hong Kong and there was no intention of repaying the funds on the due dates.
32. The files in relation to this action have been archived by the Supreme Court and there is no public access to that material. However, as there is no recorded judgment, it is likely the plaintiffs either did not pursue the action or the parties came to a settlement.
33. It should be noted that Allen Chan or his representatives failed to file the required statutory returns for New Ross with the Hong Kong Government and on February 28, 1997, New Ross was struck off the Register of Companies.

(b) The alleged sales through Leizhou EJV

34. The statement of claim alleges that, initially, Sino-Forest's business was conducted primarily through an equity joint venture ("EJV") with the Leizhou Forestry Bureau, Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("Leizhou"). The statement of claim further alleges that Leizhou did not generate the sales that Sino claimed or its sales were overstated.
35. Our review of the AIC records and other materials as set out below supports this conclusion. In particular, it would appear that Leizhou EJV was a shell and never did any business from the issuance of its business licence and the commencement of the joint venture.

AIC Filings for Leizhou

36. The Leizhou EJV filings with the AIC consisted of 240 pages in Chinese. I asked Wong Kam Yee to review those 240 pages and I instructed her to identify those pages that disclose information in relation to the incorporation, legal representatives, shareholders, directors, financial status or material changes of the Leizhou EJV.
37. Attached and marked as **Exhibit "C" to Exhibit "J"** are copies of the Chinese-language pages so identified, along with the English translations made by Ms Wong. Documents marked at **Exhibit "K" to Exhibit "S"** are from the same AIC file but were translated by Diners.
38. The following is a summary of corporate information from the AIC Leizhou EJV file, including details of directors and shareholders:

Company Name	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. 湛江雷州桉树资源发展有限公司
Business License No.	Qi Du Yue Zhan Zong Zi No.000571
Company Type	Solely owned Hong Kong company
Legal Representative	Chan Tak Yuen 陈德源
Registered Capital	USD1.4 million

Paid-up Capital	USD12.6 million
Registered Address	No.33 Middle Renmin Avenue, Zhanjiang City 湛江市人民大道中 33 号
Date of Incorporation	1994--1-29
Company Telephone	3215649/3334788
Business Line	Forestry business; wood processing; manufacturing and selling wood products and forest chemical products.
Company Status	Cancelled

The AIC file is not clear as to how the registered capital is less than the paid up capital however there is a possibility that there was at some stage a reduction in the paid up capital.

Shareholders are reflected as follows:

Shareholders	Contracted Contribution		Actual Paid-up	
	Amount	Percentage of contracted Investment	Amount	Percentage of contracted investment
Leizhou Forestry Bureau 雷州林业局	USD11.75 million	47%	USD11,640,000	46.56%
Sino-Wood Partners Limited 嘉汉木业集团有限公司	USD13.25 million	53%	USD1,000,000	0.04% Note: The capital verification report indicates 0.04%. We believe the accountant made an error with their decimal point and the figure should read 4%.

39. I have also reviewed the statutory annual returns of Sino Wood Partners Limited (“Sino Wood”) with the Hong Kong Registrar of Companies for the years 1996 through to 2000, copies of which are attached hereto and marked as **Exhibit “T”**. They indicate that the directors of Sino Wood for the period 1996 through 2000 include Allen Chan Tak Yuen, Chan Wai Ling and Poon Kai Kit. The returns indicate that Sino-Wood’s shareholders were Allen Chan (1 share) and Sino-Forest Corporation (9,999 shares).

Sino-Forest’s extensive references to Leizhou in its public disclosure

40. I have read through the disclosure documents of Sino-Forest and reproduce below a number of statements made by Sino-Forest regarding its interest in the Leizhou EJV.

41. Sino-Forest's predecessor, Mt. Kearsage Minerals Inc., described the Leizhou EJV at page 34 of its information circular dated February 11, 1994:

Leizhou Joint Venture

Zhanjiang Leizhou Eucalypt Resources Development Company Limited (the "Leizhou Joint Venture") is owned 53% by Sino-Wood and 47% by State owned Leizhou Forestry Bureau (the "Bureau"). The Bureau is a district forestry bureau of the forestry bureau of Guangdong Province and is located in the southern-most part of Guangdong Province,

Eucalypt is an important hardwood resource for the production of paper and board products. The PRC is second to Brazil in terms of land under plantation for eucalypt trees. Due to the climate requirements, most of the PRC's eucalypt plantation is located in southern PRC, which is on a latitude equivalent to Cuba.

Established in 1954, the Bureau operates a 53,000 hectares eucalypt tree plantation, wood chip processing facilities and manufactures related products. The Bureau engages in extensive research and development in the propagation and growing of eucalypt trees. This work has resulted in the opinion of the Bureau in achieving a high yield of tree propagation (15-25 cubic meters per hectare per annum) and a short growth cycle (Five to six years).

Under the Joint Venture Documents, as amended, the following assets, having an agreed value of US\$2.49 million, are to be transferred to the Leizhou Joint Venture by the Bureau as the first instalment of its capital contribution:

- about 3,500 hectares (or 190,345 cubic meters) of eucalypt plantation; and
- wood chip processing facilities with an annual capacity of 100,000 tonnes.

Additional capital contributions up to the Bureau's full obligation under the joint venture contract of US\$4.7 million will be made within two years from the date of the business licence and by injection of additional plantation and processing facilities.

Sino-Wood has agreed to make a total capital contribution of US\$5.3 million to the Leizhou Joint Venture, of which the first instalment of US\$1.0 million is to be made on or before April 28, 1994 and the balance before January 28, 1996.

42. Page 7 of the information circular dated May 15, 1995 provides:

Through Sino-Wood the Corporation owns interests varying between 53% and 55% in six Chinese foreign equity joint ventures ("the Joint Ventures") in Guangdong and Jiangxi Provinces in the People's Republic of China. Pursuant

to joint venture agreements ("the Joint Venture Agreements") relating to the Joint Ventures, Sino-Wood agreed to contribute to the Joint Ventures a total of US\$22,240,000 of which US\$3,895,000 was made in March 1994 and the balance of US\$18,345,000 must be made before the end of January, 1996.

The Board at Directors believes that the Corporation should raise additional equity funding of approximately US\$10,000,000 (approximately C\$13,700,000) in order to contribute to the financing of the obligations of Sino-Wood under the Joint Venture Agreements and to provide additional working capital for the Corporation's expansion of its forestry plantation business in South China in the current year

43. Page 2 of Sino-Forest's financial statements for the year ended December 31, 1996 provides:

Wood chip production in the Leizhou EJV in 1995 accounted for approximately 60.6% of total production. In 1996, wood chip production in the Leizhou EJV accounted for approximately 35.8% of total production. As we continue to ramp up the phase-in of our CJV plantations over the next few years, the Leizhou EJV's production of wood chips will be less and less significant to the total production level. In 1996, the Leizhou EJV produced 212,500 BDMT of wood chips compared to 204,200 in 1995.

44. On Page 5 of Sino-Forest's Annual Report for the year ended December 31, 1996 it was claimed that 20,000 hectares of forest had already been phased in through the Leizhou EJV, and on page 8, it was reported that:

Sales in the Leizhou EJV remained relatively constant over 1995. Sales were \$23 million in 1996 consisting of approximately 212,500 BDMT of wood chip shipments compared to 204,200 BDMT in 1995.

45. At Page 10 of Sino-Forest's Annual Report and Financial Statements for the year ended December 31, 1996, the following statements were made:

The Leizhou EJV

Under the Leizhou EJV joint venture agreement, the Company's wholly-owned subsidiary, Sino-Wood Partners, Limited ["Sino-Wood"] is committed to provide \$5,300,000 in capital to acquire its 53% equity interest in the Leizhou EJV. An initial capital contribution of \$1,000,000 was made in 1994 with the balance due January 1996. During 1996, Sino-Wood's EJV partner, the Leizhou Forestry Bureau ["LFB"] agreed to extend payment of the balance of the capital contribution to December 1996. No capital contribution was made in December 1996 as Sino-Wood has agreed with the LFB to settle its capital contribution to the Leizhou EJV concurrent with the settlement of amounts due to the Leizhou EJV by the LFB.

46. Page 2 of the Sino-Forest prospectus dated January 28, 1997 states:

"Leizhou EJV" means the EJV subsidiary operating the eucalyptus tree plantation Zhanjiang Leizhou Eucalypt Resources Development Company Ltd. in Guangdong Province.

47. On the same page, "EJV" is defined as an Equity Joint Venture established under EJV law, while page 10 charts the 53% holding of the Leizhou EJV as being through Sino Forest Partners Ltd, a wholly owned subsidiary of Sino-Forest.

48. At page 8 of the Sino-Forest 1997 prospectus, the following statements are made:

Timber from the Leizhou EH/ Plantation

The Leizhou EJV operates 20,000 hectares of eucalyptus tree plantation. The eucalyptus tree plantation of the Leizhou EJV is located on the Zhanjiang Leizhou peninsula in Guangdong Province. This plantation supports crops of eucalyptus trees which in management's experience have a cycle (from planting to harvesting) of approximately five years and which are specifically genetically engineered for the soil and semi-tropical climate conditions of southern China. In 1994 and 1995, there were approximately 156,300 BDMT and 204,200 BDMT, respectively, of eucalyptus wood chips produced by the Leizhou EJV. In 1996, the Company expects to maintain its production volume from the Leizhou EJV plantation at approximately 200,000 BDMT.

49. On page 19 of the Sino-Forest 1997 prospectus, it states:

BUSINESS STRATEGY

Based on the success of its original eucalyptus plantation investment in the Leizhou EJV in 1994, the Company focused its efforts on expanding rapidly

in the management and operation of, and investment in, tree plantations in the PRC and the production of wood chips, while at the same time reducing its involvement in the forestry and board chemical businesses

50. On page 22 of the Sino-Forest 1997 prospectus, it states:

BUSINESS OPERATIONS

Wood chips produced by the Leizhou EJV are sold in the export market by the Company's joint venture partner under an arrangement that was established in 1994. This arrangement is expected to terminate by the end of 1996.

The \$12,177,000 due from the Leizhou EJV joint venture partner as at September 30, 1996 represents cash collected from the sale of wood chips by the Leizhou EJV joint venture partner on behalf of the Leizhou EJV. As originally agreed by the Company, the cash is being retained by the Leizhou EJV joint venture partner to fund the ongoing plantation costs of the Leizhou EJV. At the end of 1995, the Company commenced discussions with the Leizhou EJV joint venture partner for the repayment of some or all of the amount due by early 1997. The Leizhou EJV joint venture partner has incurred planting and maintenance costs on behalf of the Leizhou EJV which could be applied against part of the amount due to the Company. In addition, the balance could be used to offset the required remaining capital contribution of U.S.\$4,300,000 owing to the Leizhou EJV by the Company, or be repaid to the Company.

Total export shipments (including those from the Leizhou EJV) estimated for 1996 account for approximately 60% of the total estimated wood chip shipments of the Company. Export shipments for the nine months ended September 30, 1996 represent 66.7% of total shipments. Of the 259,574 BDMT in total export sales of wood chips by the Leizhou EJV and the Guangxi CJV for the nine months ended September 30, 1996, approximately 60% were to Japan which is the world's largest importer of wood chips.

51. On page 23 of the Sino-Forest 1997 prospectus, it states:

BUSINESS OPERATIONS

Chipping Facilities

The Company's Leizhou EJV operates a three-line chipping plant with an annual capacity of approximately 250,000 tonnes of wood chips. The plant is located approximately 50 km from the Leizhou EJV plantation and approximately 80 km from the Zhanjiang port. Zhanjiang port is one of the ports that the Company uses to export its wood chips to Japan, South Korea and Taiwan. All of the Company's eucalyptus trees harvested in the Leizhou

EJV are chipped in this facility. The wood chips produced in this facility are generally stored in the plant for no more than one week before being transported by trucks to the Zhanjiang port for export.

52. On page 24 of the Sino-Forest 1997 prospectus, it states:

Fibre Supply and Process

The Company currently produces its wood chips from two sources of supply: (1) standing timber purchased from the local forestry bureaus and (2) timber grown on the Leizhou EJV's eucalyptus plantations.

The Company currently manages and operates 20,000 hectares of tree plantation lands in the Leizhou EJV. The Company has phased-in approximately 30,000 hectares (including the 20,000 hectares from the Leizhou EJV, or approximately 5% of the lands currently under contract.

53. On page 28 of the 1997 prospectus, it is stated that:

Research and Development

Research and development is carried out at the research facilities of the Leizhou EJV and by independent laboratories and research centres.

54. Subsequent to the date of the 1997 prospectus, Sino-Forest reported changes in the relationship with the Leizhou EJV.

55. In the 3rd quarter 1997 report to shareholders it was stated that:

As at September 30, 1997, the amount due to Leizhou EJV from the Leizhou Forestry Bureau amounted to \$16,755,000, of which the Company's equity position in the Leizhou EJV represents \$8,880,000. The Leizhou EJV receivable was satisfied in November 1997 through a payment to the Company of timber holdings of a value approximately \$8,880,000.

56. At page 10 of Sino-Forest's Annual Report for the year ended December 31, 1997, the following information was set out:

In 1997, wood chip shipments totalled 1,160,560 BDMT compared to 592,800 BDMT shipped in 1996, an increase of approximately 96%. Of the total wood chips shipped in 1997, 311,300 BDMT were exported to Japan, South Korea and Taiwan and 849,260 BDMT were sold in the domestic PRC market. For

the year ended December 31, 1997, the Company acted as principal on 184,400 BDMT and as an agent on 931,160 BDMT. Wood chip shipments from Leizhou EJV in 1997 were 45,000 BDMT compared to the 212,500 BDMT shipped in 1996. The decrease was due to the decision to restructure Leizhou EJV, which was completed in the fourth quarter of 1997 as explained below. As a result of this decision, wood chip orders which could have been shipped by the Leizhou EJV were filled by the Heyuan CJV and the Guangxi CJV partner which together reported a 193% increase in shipments from 380,300 BDMT in 1996 to 1,115,560 BDMT in 1997. Export shipments have decreased approximately 10% from 346,400 BDMT in 1996 to 311,300 BDMT in 1997 as a result of the continuing weak economy in Japan and the economic downturn in Asia. Demand for wood chips in China remains strong and was the reason for the significant increase in shipments from 246,400 BDMT in 1996 to 849,260 BDMT in 1997, an increase of 245%.

57. Page 11 of that Annual Report deals with a change in the relationship with the Leizhou EJV.

This change was said to have occurred with the agreement of the Leizhou Forestry Bureau:

LEIZHOU EJV

As part of the Company's strategy to operate and manage its plantation business under the preferred CJV structure, the Company entered into an agreement with the Leizhou Forestry Bureau ("LFB"), its partner in the Leizhou EJV, to cease operations and distribute the net assets of the Leizhou EJV according to their respective equity interests. The Company's share of the net assets of the Leizhou EJV, as at the effective date of the partners' withdrawal of their equity interests, October 1, 1997, amounted to \$12.4 million. As part of the agreement with the LFB, the LFB agreed to exchange the Company's interest in the net assets of the Leizhou EJV for 730,440 cubic meters of standing timber owned by the LFB. The standing timber is to be provided by the LFB to the Company over a three-year period as required by the Company. The Company is responsible for harvesting and transportation costs. The remaining capital contribution of \$4.3 million, which was due to the Leizhou EJV, was also settled as a result of the agreement with the LFB. The Company is in discussions with a potential new partner in the Leizhou region to establish a new CJV on a similar basis to its existing CJVs.

Findings

58. In addition to reviewing the AIC file and Sino-Forest's disclosure documents, I reviewed a letter from the Leizhou Forestry Bureau dated February 27, 1998 regarding the Leizhou joint venture. The statements in Sino-Forest's disclosure documents are inconsistent with that letter. In particular, the letter states that the capital contribution of the Leizhou EJV was

not paid up by Sino-Forest. Moreover, despite Sino-Forest's claim of an amicable parting with the Leizhou Forestry Bureau, the Bureau complained about Sino-Forest to the Zhanjiang Municipal Foreign Economic Relations & Trade Commission. The Bureau's letter dated February 27, 1998 is attached and marked as **Exhibit "D"**.

59. The letter states that Leizhou EJV was a shell and never did any business from the issuance of its business licence and the commencement of the joint venture.
60. I have also identified financial statements for the financial year 1996 in the AIC files of the Leizhou AIC, copies of which are attached and marked as **Exhibit "Q"**. There are no entries for "Return on Investment", "Profit for the year" or "Undistributed profit".
61. Furthermore, in a letter dated June 25, 1998, the Zhangjiang Sino-Forest Technology Center informed the Zhanjiang Administration for Industry and Commerce that "Leizhou Forestry Bureau had failed to contribute forestry land, factory facilities and investment as agreed in the joint venture thus affecting the normal operations of the joint venture". A copy of the letter is attached and marked as **Exhibit "E"**.

(c) Sino-Forest's alleged investment in Shanghai Jin Xiang Timber Ltd. ("SJXT")

62. The statement of claim alleges that Sino-Forest had claimed in its public disclosure that it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("SJXT"). It further alleged that Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd."
63. We have examined the AIC records and other documents, as set out below, to determine if there was any evidence that Sino-Forest had an equity interest in SJXT. It appears that neither Sino-Forest nor any of its subsidiaries held shares of SJXT.

Sino-Forest's extensive references to SJXT in its disclosure

64. I have read through the disclosure documents of Sino-Forest and reproduce below a number of statements made by Sino-Forest regarding its interest in SJXT.

65. On page 11 of Sino-Forest's 1997 Annual Report, under the heading "Wood-Based Panel and Contract Supply," it was stated that:

To establish strategic partnerships with key local wood product suppliers and to build a strong distribution network for the wood-based product and contract supply businesses, the Company has acquired a 20% equity interest in Shanghai Jin Xiang Timber Ltd. ("SJXT"), an EJV that was formed in 1997 by the Ministry of Forestry in China. The operation of SJXT is to organize and manage the first and only official market for timber and log trading in eastern China. The investment in SJXT will provide the Company good accessibility to a large base of potential customers and companies in the timber and log businesses in eastern China. The total investment of SJXT is estimated to be \$9,662,000 (RMB80 million) of which the Company will be required to contribute approximately \$1,932,000 for 20% of the equity interest. As at December 31, 1997, the Company has made capital contributions to SJXT in the amount of \$1,037,000.

66. At page 27 of Sino-Forest's Annual Information Form, dated May 20, 1998, under "Sales and Marketing", it was stated that:

The Company will initially focus on the Greater Shanghai Region and take advantage of Shanghai Timber's sales network in the region. Currently, the Company is in negotiation with several customers to secure between U.S. \$40 and U.S. \$50 million of contract supply business. To establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, the Company has acquired a 20% equity interest in Shanghai Jin Xiang Timber Ltd. ("SJXT"), an EJV that was formed in 1997 by the Ministry of Forestry in China. The operation of SJXT is to organize and manage the first and only official market for timber and log trading in Eastern China. The investment in SJXT is expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

67. On page 5 of Sino-Forest's Annual Report for the year ended December 31, 1998, under the heading "Lumber and Wood Products Trading – a Promising Opportunity," it was stated that:

Sino-Forest's 20% equity interest in Shanghai Jin Xiang Timber Ltd. ("SJXT" or the Shanghai Timber Market) represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising. Phase I, consisting of 100 shops, is

completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.

The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally. The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.

In October 1998, we announced an Agency Agreement with SJXT, under which Sino-Forest will provide 130,000 m³ of various wood products to SJXT over an 18 month period. Based on current market prices, we expect this contract to generate significant revenue for Sino-Forest amounting to approximately \$40 million. The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.

68. On page 5 of Sino-Forest's Annual Report for the year ended December 31, 1999, under the heading "Lumber and Engineered Wood Products Trading," it was stated

The lumber and engineered wood products trading business diversifies Sino-Forest's revenue base; provides a high return; and further expands our position in the huge and rapidly growing Asian market for engineered wood products. The Shanghai Timber Market provides us with a market for our wood products as well as being a source of a wide range of wood products from both Chinese and international markets. The market also facilitates networking opportunities for Sino-Forest and enables us to build new and beneficial industry relationships.

69. On pages 12 and 13 of that same Annual Report, in the section titled "Review of Opportunities," it is stated that:

There are also promising growth opportunities as Sino-Forest's investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops. The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation. Sino-Forest's investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company's lumber

and wood products trading business. To date, the timber market has been a significant source of new revenue for Sino-Forest, both as a way to market our products and a way to source a wide range of other wood products from inside China and internationally. Sino-Forest's lumber and wood products trading business generated revenue of \$37.2 million for the Company in 1999. This represents an increase of 219 per cent over the \$11.7 million in revenues generated in 1998 and an increase of 1,591 per cent over the \$2.2 million in revenues generated in 1994.

70. On pages 18-19 of that same Annual Report, in the section titled "Review of Operating Results," it is stated that:

Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999.

71. On page 20 of that same Annual Report, under the heading "Investment in SJXT," it is stated that:

The Company held a 34.4% equity interest in SJXT, an equity joint venture (EJV) that was formed by the Ministry of Forestry in China. The purpose of the investment is to establish strategic partnerships with key local wood products suppliers and to build a strong distribution network for the lumber and wood products trading and the wood-based panel businesses. The total capital investment of SJXT is \$1,509,000 [Chinese renminbi 12.5 million] of which the Company's required capital contribution is \$519,000. As at December 31, 1999, the Company's required capital contribution of \$519,000 was fully made. The operation of SJXT is to organize and manage the first and only national submarket for timber and log trading in eastern China. The investment in SJXT will provide the Company with accessibility to a large base of potential customers and companies in the timber and log businesses in eastern China. The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999.

72. In Sino-Forest's Annual Report for the year ended December 31, 2000, on p. 18 under the heading "Investment in SJXT," the following was stated

The Company has a 34.4% equity interest in Shanghai Jin Xiang Timber Ltd. ("SJXT"), an equity joint venture ("EJV") that was formed by the Ministry of Forestry in China. The purpose of the investment is to establish strategic partnerships with key local wood product suppliers and to build a strong distribution network for the lumber and wood products trading and wood-based panel businesses. The total capital investment of SJXT was \$1,509,000 [Chinese renminbi 12.5 million] of which the Company's required capital contribution was \$519,000. As at December 31, 2000, the Company's required capital contribution of \$519,000 was fully made. The operation of SJXT is to organize and manage the first and only national sub-market for timber and log trading in eastern China. The investment in SJXT will provide the Company good accessibility to a large base of potential customers and companies in the timber and log businesses in eastern China.

73. Sino-Forest's 1997 Annual Report indicates that Sino-Forest would acquire a 20% interest in SJXT through an estimated capital contribution of US\$1,932,000 (comprising approximately 20% of the total estimated capitalization of US\$9,662,000 of SJXT). Sino-Forest disclosed that it had made an investment of US\$1,037,000 towards its required contribution. However, the 1999 Annual Report refers to a 34.4% equity interest in SJXT. Further, in contrast to the 1997 report, the 1999 Annual Report indicates that the total capital investment of SJXT was US\$1,509,000, of which the capital contribution of Sino-Forest was US\$519,000.. We have examined all the AIC records for SJXT and Sino-Forest disclosures and can find no explanation for how this has changed.

74. Finally, Sino-Forest's disclosure documents issued after its 2000 Annual Report removed all mention of SJXT. The only exception was a reference in Sino-Forest's 2001 Annual Report, which stated, at page 9, that:

One market for Sino-Forest products is the Shanghai Timber Market in eastern China. The Market consists of suppliers offering wood and wood products for the wholesale domestic market.

AIC Filings relating to SJXT/SJXTM

75. I am informed by Yu How Wun, an agent of Intellect Consultancy, and I believe that he conducted a search for the AIC file in the name of "Shanghai Jin Xiang Timber Ltd.", but that he found no company by this name.

76. However, further AIC searches by Yu Ho Wun ascertained that a company by the name of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. 上海金翔木材批发市场经营管理有限公司 ("SJXTM") was incorporated on July 9, 1997 and that an individual by the name of Pan Jiajie 潘家杰 (holding Chinese identity # 441623194001061314) was a director. The name Pan Jiajie is the Pinyin or simplified Chinese character name for Poon Kai Kit, who was the president and a director of Sino-Forest. He holds Chinese identity # 441623194001061314 and Hong Kong identity # H328031(6).

77. The AIC file for SJXTM consists of 311 pages in Chinese. I asked Wong Kam Yee to review those pages and I instructed her to identify those pages that disclosed information in relation to the incorporation, legal representatives, shareholders, directors, material changes and financial information of SJXTM up to the year 2005. Attached and marked as **Exhibit "U"** to **Exhibit "EE"** are copies of the Chinese versions of those pages and of the English translations

78. According to the AIC records, SJXTM was incorporated on July 9, 1997. The registered address for the company is at No.2755, Fengxiang Road, Nanxiang Town, Jiading District Shanghai 嘉定区南翔镇丰翔路 2755 号. The business of the company is reflected to be "Providing market management services for the dealers of timber and decoration materials."

79. From incorporation until the mid-point of 2005, the following were the shareholders of SJXT holding their shares in the proportions as set out:

Shareholders	Subscription	Percentage
Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司	Renminbi 0.5 million	17 (rounded)

Shanghai Changxiang Industrial Co., Ltd. 上海昌翔实业有限公司	Renminbi 2.5 million	83 (rounded)
Total	Renminbi 3 million	100%

80. The recorded directors of SJXTM are as follows:

Name	Document No.	Position
Cai Xuelin 蔡学麟	320204500812001	Chairman
Zhang Jinde 张锦德	310222195204130814	Director
Qu Rongguo 瞿荣国	310222195512230817	Supervisor
Zhang Yulin 张玉林	310222195706110418	Director
Ma Cong 马聪	320106690914243	Director
Poon Kai Kit 潘家杰 @ Pan Jiejie	441623194001061314	Director

81. Consequently, for the period up until mid 2005, SJXTM had a paid up capital of three million renminbi which would have roughly equated to US\$375,000. Shanghai Jinsen Material Trade Co., Ltd., held 17% of the shares and Shanghai Changxiang Industrial Co., Ltd., held 83% of the shares. Exhibit "U" which is a document from the files of the AIC for SJXTM describes SJXTM as a joint venture invested by a collective and a State owned enterprise. In subsequent investigations of the shareholding and structure of both Shanghai Jinsen and Shanghai Changxiang, Shanghai Jinsen is a collective whilst in looking at the the shareholders of Shanghai Changxing, the two companies which hold shares in Shanghai Changxiang are also collectives and not state owned companies. Neither Sino-Forest nor any of its subsidiaries are identified as shareholders.

82. I have also reviewed the financial statements for SJXTM filed with the AIC for the years 2000 and 2002, copies of which are attached and marked as Exhibits "EE".

83. For the financial year ending 31st December 2000, SJXTM had a balance sheet which reflected assets of RMB 47,413,236 and liabilities of RMB 34,673,473. The box for business revenue was not filled in; however profit was RMB 350,348. For the financial year ending 31st December 2002, SJXTM had a balance sheet which reflected assets of RMB

40,349,657 and liabilities of 27,783,161. Business revenue was RMB 66,392,044 on which profit was RMB 12,391.

84. On August 6, 2005, SJXTM's shareholders, Shanghai Jinsen Material Trade Co., Ltd and Shanghai Changxiang Industrial Co., Ltd., agreed to terminate their joint venture. A copy of the Agreement to Terminate Joint Venture Business is attached and marked as **Exhibit "X"**.
85. The agreement states that Shanghai Jinsen Material Trade Co Ltd. decided to terminate its involvement on January 15 2000, but that the termination procedures had not been completed. On completion, Shanghai Jinsen Material Trade Co., Ltd withdrew its capital of RMB 500,000.
86. Subsequently, on August 11, 2005, Shanghai Changxiang Industrial Co. Ltd.¹ withdrew RMB 540,000, thus reducing the capital of SJXTM to RMB 1,960,000. Copies of the capital verification report and a report of the People's Government of Nanxiang Town are attached and marked **Exhibits "Z" and "Y"**.
87. On August 25, 2005, the following changes to SJXTM were approved:

We have received your request on Jinxiang Timber Wholesale Market's restructuring and capital increase. Upon review, we agree that Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场 changes from a collective ownership to a limited company (Joint Venture by domestic companies) and increases its registered capital to RMB8.46 million, including RMB1.96 from Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司 and RMB6.50 million from Shanghai Jincai Industrial Co., Ltd. 上海金材实业有限公司. Its business scope covers market management service for suppliers of timbers, plywood and decorative materials in Jinxiang Timber Market. We hope that your company would get changes registered in time.

A document issued by the People's Government of Jiading District Nanxiang Town is attached and marked as **Exhibit "CC"**.

¹ known by its new name, Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd.

88. Subsequent to these changes the following people became directors of SJXTM: Zhang Jinde 张锦德, Poon Kai Kit 潘家杰, Zhang Yulin 张玉林, Ma Cong 马聪, Cai Xuelin 蔡学麟. Attached and marked as **Exhibit “DD”** are a resolution of the company and certificates of appointment as directors.

AIC Filings relating to SJXTM’s shareholders

AIC Filings relating to Shanghai Jinsen (SJXTM’s shareholder until 2005)

89. Shanghai Jinsen Material Trade Co., Ltd (“Shanghai Jinsen”) is one of the two shareholders of SJXTM. The filing with the AIC consisted of 37 pages in Chinese. I asked Wong Kam Yee to review those 37 pages and instructed her to identify the pages which disclosed information in relation to the incorporation, legal representatives, shareholders, directors, material changes and financial status of Shanghai Jinsen. Attached and marked as **Exhibit “FF”** to **Exhibit “JJ”** are those Chinese-language pages, along with the English translations.
90. According to the AIC records, the Shanghai Jinsen business licence was revoked on February 4, 2005. Prior to that date, it was a collective-owned company and no shareholders or directors are listed. None of the individuals listed as management and staff appear to relate to Sino-Forest or its subsidiaries and associates. A copy of the collective staff list is attached and marked as **Exhibit “GG”**.
91. Further, on February 4, 1993, a firm of accountants under the name of Huihua CPA firm listed on the capital verification report, carried out a capital verification. It showed that the capital subscription of Shanghai Jinsen was solely from its own funds. There was no suggestion of external investment and no changes have been filed over the period from 1997 to 2000, when Sino-Forest alleged it had a capital interest in Shanghai Jin Xiang Timber Limited. A copy of the capital verification report is attached and marked as **Exhibit “HH”**.

Company Name	Shanghai Jinsen Material Trade Co., Ltd 上海金森物资贸易公司
Registration No.	3101151005437
Registered Address	No. 1208, Pudong Avenue 浦东大道 1208 号
Legal Representative	Ji Zonglin 纪宗林

- 28 -

Registered Capital	RMB1 million
Date Established	--
Registering Authority	Shanghai AIC Pudong New District Branch
Business Scope	Wood and related products, metal materials, chemical materials, building materials, construction hardware, auto parts, hardware
Business model	Wholesale, retail, and purchase & sale agency
Status	Revoked
Date of revoking	February 4, 2005

AIC Filings relating to Shanghai Changxiang

92. Shanghai Changxiang Industrial Co., Ltd. 上海昌翔实业有限公司 (“Shanghai Changxiang”) is the second shareholder of SJXTM. The filings with the AIC consisted of 84 pages in Chinese. I asked Wong Kam Yee to review those 84 pages and instructed her to identify the pages which disclosed information in relation to the incorporation, legal representatives, shareholders, directors, material changes and/or financial status of Shanghai Changxiang. Attached and marked as Exhibit “KK to Exhibit “QQ” are those Chinese-language pages and the English translations. I note that Shanghai Changxiang has changed its name to Shanghai Nanxiang Industrial Development Zone Industrial Co Ltd.

93. Details relating to this company compiled from the AIC file are as follows:

Company Name	Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd 上海南翔工业开发区实业有限公司
Registration No.	310114001805623
Registered Address	Room 104, Building No. 4, Qianjiaqiao, Shejia Village, Nanxiang Town, Jiading District, Shanghai 嘉定区南翔镇沈家村钱家桥4幢104室
Legal Representative	Xu Long 徐龙
Registered Capital	RMB12 million
Date Established	November 19, 1996
Period of Operation	From 1996-11-19 to 2026-11-18
Company Type	Limited Company
Registering Authority	Shanghai AIC Jiading Branch
Business Scope	Sales of hardware, building materials, decoration materials, steel, machinery and electronic products, garments, daily necessities, automobile accessories, plastic products; business consulting

Status	Active
--------	--------

94. The share holdings of Shanghai Changxiang are as follows:

Name	Shanghai Nanxiang Economic Development Co., Ltd 上海南翔经济发展总公司
Subscription (RMB)	10,000,000
Percentage	83.3%

Name	Jiading Nanxiang Industrial Co., Ltd 嘉定南翔工业公司
Subscription (RMB)	2,000,000
Percentage	16.7%

95. The directors of Shanghai Changxiang are listed as follows:

Name	Position
Zhang Qingzhong 章庆忠	Director
Xu Long 徐龙	Director
Zhang Jinde 张锦德	Executive Director
Li Yuxing 李玉兴	Supervisor

96. From an examination of the AIC file, there is no identifiable capital involvement by Sino-Forest, its subsidiaries or associates in Shanghai Changxiang. I have obtained the two AIC files for those companies which are shareholders of Shanghai Changxiang namely Shanghai Nanxiang Economic Development Co., Ltd and Jiading Nanxiang Industrial Co., Ltd. I instructed Wong Kam Yee to examine these filings. She advises me, and I believe, that there is no apparent Sino-Forest capital involvement in these two companies as they are both collectives and have not filed details of any shareholders or directors. They have filed details of their Legal Representatives and none of them are names which have been associated as far as has been determined, with Sino-Forest. Consequently, it is unclear how Sino-Forest could hold its stated shareholding over the 1997 to 2000 period in SJXTM.

AIC Filings relating to Shanghai Jincui (SJXTM's shareholder from 2005)

97. Shanghai Jincai Industrial Co., Ltd 海金材实业有限公司 (“Shanghai Jincai”) is reflected in the AIC files as holding share capital of SJXTM totalling RMB 6,500,000 effective from about August 25, 2005. This is also around the time that Poon Kai Kit became a director of SJXTM. Shanghai Jincai filings with the AIC consisted of 65 pages in Chinese. I asked Wong Kam Yee to review those 65 pages and instructed her to identify the pages that disclose information in relation to the incorporation, legal representatives, shareholders, directors, material changes and/or financial status of Shanghai Changxiang. Attached and marked as Exhibit “RR” to Exhibit “XX”, are those Chinese-language pages, along with the English translations.
98. The AIC records for Shanghai Jincai indicate the company was established on August 22, 2005. It is a limited liability company with an issued registered capital of RMB 15,000,000. Pan Jiajie 潘家杰 (i.e. Kai Kit Poon) is the legal representative. The following is a summary of the AIC records.

As at February 8, 2012

Company Name	Shanghai Jincai Industrial Co., Ltd. 上海金材实业有限公司
Registration No.	310114001483490
Registered Address	No. 8 Fengxiang Road, Nanxiang Industrial Development Zone, Jiading District, Shanghai 上海市嘉定区南翔工业开发区丰翔路 8 号
Legal Representative	Pan Jiajie 潘家杰
Registered Capital	RMB 15,000,000
Date Established	August 22, 2005
Period of Operation	August 22, 2005 to August 21, 2015
Company Type	Limited Liability Company
Registering Authority	Shanghai Jiading AIC
Business Scope	Processing of wooden products; sales of woods, manmade boards, plywood and architecture decoration materials; commercial consultancy; conference service; design and production of computer graphics.
Status	Active

Shareholders

Name	Subscription (RMB)	Percentage
Pan Jiajie 潘家杰	RMB 10,500,000	70%

Cai Xuelin 蔡学麟	RMB 4,500,000	30%
----------------	---------------	-----

Key Executives

Name	Position	ID No.
Pan Jiajie 潘家杰	Executive Director	441623194001061314
Cai Xuelin 蔡学麟	Supervisor	32020419500812001X

Name	Pan Jiajie 潘家杰
Nationality	Chinese
Date of Birth	January 6, 1940
Address	No. 3 Gongyuan Road, Yuanshan Township, Lianping County, Guangdong 广东省连平县元善镇公园路3号
ID No.	441623194001061314
Photo	Nil

Changes

27- Nov -2007 – Change of registration number

Before	After
3101142119687	310114001483490

27- Nov -2007 – Change of shareholders

Before	After
Ma Cong 马聪 (ID No.: 320106690914243) RMB 10,500,000 - 70%	Pan Jiajie 潘家杰 (ID No.: 441623194001061314) RMB 10,500,000 - 70%
Cai Xuelin 蔡学麟 (ID No.: 320204500812001) RMB 4,500,000 – 30%	Cai Xuelin 蔡学麟 (ID No.: 32020419500812001X) RMB 4,500,000 – 30%

27- Nov -2007 – Change of directors

Before	After
Ma Cong 马聪 (ID No.: 320106690914243) Executive Director– Legal Representative	Pan Jiajie 潘家杰 (ID No.: 441623194001061314) Executive Director– Legal Representative
Cai Xuelin 蔡学麟 (ID No.: 320204500812001) Supervisor	Cai Xuelin 蔡学麟 (ID No.: 32020419500812001X) Supervisor

99. The first application for a company name was under that of Shanghai Jinjia Industrial Co Ltd. Shanghai Jincal was one of the alternative names. This is the only reference that has

been found in any of the shareholders files where the name "Sino-Forest" has been identified. The application for pre-approval of company name is attached and marked as Exhibit "RR".

100. The two initial investors in Shanghai Jincai, as of July 26 2005, were Ma Cong (RMB 10,500,000) and Cai Xuelin (RMB 4,500,000). It was not until November 13, 2007 that Poon Kai Kit contributed RMB 10,500,000. This corresponded to the withdrawal of an identical amount of capital by Ma Cong. Copies of documents evidencing these events are attached and marked as Exhibits "VV" and Exhibit "XX". In any event, I can find no capital interest in the name of Sino-Forest, its subsidiaries or associates in Shanghai Jincai at any time.

Findings

101. As set out above, Sino-Forest claimed in its various disclosure documents that it initially had a 20% interest in the capital of SJXT, which purportedly increased to 34.4%. However, based on our review of the AIC records there appears to have been no Sino-Forest subsidiary holding shares in SJXTM. Moreover, the paid up capital of SJXTM over the period to the year 2005 does not appear to equate to that which was stated during that period.

(d) The alleged misrepresentations relating to Homix Limited

102. The statement of claim alleges that on January 12, 2010, Sino-Forest issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited. The statement of claim alleges that Sino-Forest failed to disclose that Homix was a related party to Sino-Forest, contrary to Canadian generally accepted accounting principles.

103. Our review of the AIC records indicates that one of Sino-Forest's vice presidents was also a major shareholder of a Homix subsidiary at the time of the acquisition by Sino-Forest.

Sino-Forest's references to Homix in its disclosure

104. I have read through the disclosure documents of Sino-Forest and reproduce below a number of statements made by Sino-Forest regarding its interest in Homix.

105. In the Sino-Forest 2009 Annual Report, on page 20, it states:

HOMIX acquisition

In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for \$7.1 million. This corporate acquisition is small but strategically important adding valuable intellectual property rights and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture. Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a variety of downstream customers and enhancing economic rural development.

106. At page 31 of that Annual Report, the following statement was made:

Acquired HOMIX Limited on January 4, 2010, the Company acquired all of the issued and outstanding shares of HOMIX Limited ("HOMIX"), a company engaged in research and development and manufacturing of engineered-wood products in the PRC, for an aggregate consideration of \$7,100,000. The acquisition included HOMIX's facilities and its patents in the PRC.

107. On p. 81 of that Annual Report, it states:

SUBSEQUENT EVENT

On January 4, 2010, the Company acquired all of the issued and outstanding shares of Homix Limited, which is engaged in research & development and in manufacturing engineered-wood products, for aggregate cash consideration of \$7.1 million.

108. On page 5 of Sino-Forest's 3rd quarter 2010 report to shareholders, it stated that:

Acquired Homix Limited

On January 4, 2010, the company acquired all of the issued and outstanding shares of Homix limited (“Homix”), a company engaged in research and development and manufacturing of engineered-wood products in the PRC, for an aggregate consideration of \$7,100,000. The acquisition included homix’s facilities and its patents in the PRC.

Hua Chen’s role at Sino-Forest

109. On page 85 of Sino-Forest’s 2009 Annual Report, the Senior Vice President Administration and Finance for China for Sino Forest is identified as Hua Chen. It states that she joined Sino-Forest in 2002.

110. I have conducted enquiries to identify the Chinese identity card number of Hua Chen, or as she would be known in China, “Chen Hua”. In this context, I have been advised by Wong Kam Yee as a result of name searches that she was a legal representative of a number of companies associated with Sino-Forest in China, including:

- i. Sino-Forest (Suzhou) Trading Co., Ltd;
- ii. Sino-Forest (Guangzhou) Co., Ltd;
- iii. Sino-Forest (China) Investment Co., Ltd;
- iv. Sino-Forest (Yangjiang) Co., Ltd;
- v. Sino-Forest (Heyuan) Co., Ltd;
- vi. Sino Wood (Heyuan) Co., Ltd; and
- vii. Sino-Forest (Anhui) Co., Ltd.

111. From this research, I have determined that Hua Chen has been issued with an identity card by the Chinese government authorities, # 320503196107311027.

Background on Homix Limited and Hua Chen’s role in Homix

112. Homix Limited is registered in the British Virgin Islands, and has two subsidiary companies incorporated in the PRC as follows:

Guangzhou Dacheng Panyu Wood Company Ltd.

广州市番禺大成木业有限公司

Jiangsu Dayang Wood Company Ltd

江苏大阳木业有限公司

113. The AIC records relating to Jiangsu Dayang Wood Co., Ltd. 江苏大阳木业有限公司 (“Jiangsu Dayang”) included a print-out of corporate changes and information relating to the financial status of the company. Wong Kam Yee translated the records showing the historic and current shareholding, legal representative and directorships in that company. Copies of the Chinese print-out with accompanying English translations are attached and marked as Exhibit “YY”.

114. The AIC records show that Jiangsu Dayang was established on August 19, 2003. It is a limited company with registered capital of RMB 80 million. Allen Chan Tak Yuen 陈德源 (i.e. Allen Chan) is the legal representative. Details of the current business registration and the legal representatives, directors and shareholders are as follows:

Company Name	Jiangsu Dayang Wood Co., Ltd. 江苏大阳木业有限公司
Registration No.	321300000010898
Registered Address	No. 322 Fumin Avenue, Economic Development Zone, Suqian City 宿迁经济开发区富民大道322号
Legal Representative	Chan Tak Yuen 陈德源
Registered Capital	RMB 80 million
Date Established	August 19, 2003
Period of Operation	55 years – (2003-08-19 to 2058-08-19)
Company Type	Limited Company (WOFE)
Registering Authority	Jiangsu Suqian AIC
Business Scope	Wood processing and engineering technology consultancy service; research, development, manufacture and sale of artificial boards.
Status	Active

115. Homix Limited is currently the sole shareholder of Jiangsu Dayang. After Sino-Forest acquired Homix, the key executives of Jiangsu Dayang were as follows:

Name	Position	ID No.
Chan Tak Yuen 陈德源	Chairman of the board	E459151(1)
Li Mingchen 李明臣	General Manager	110108197204252319

Chen Hua 陈华	Director	320503196107311027
Zhao Weimao 赵伟茂	Director	110108195711182213
Wu Yongzheng 吴永争	Supervisor	452502197110098238

116. The following represents corporate changes to Jiangsu Dayang from 2003 forward:

Date	Status Change	Before Date	After Date
25-11-2003	Registered Capital	RMB 1 million	RMB 6 million
12-12-2003	Name	Suqian Dayang Wood Co., Ltd.	Jiangsu Dayang Wood Co., Ltd.
5-3-2004	Increase in Registered Capital	RMB 6 million	RMB 10 million
	Increase in Paid-in Capital	RMB 35.9 million	RMB 10 million
	Shareholders	Chen Hua 陈华 (RMB 1.8 million) Huang Qingliu (RMB 3.6 million) Xiong Xueping (RMB 0.6 million)	Chen Hua 陈华 (RMB 3 million) Huang Qingliu (RMB 6 million) Xiong Xueping (RMB 1 million)
21-07-2004	Directors	Chen Hua (Chairman of the board of directors) Xiong Xueping (Director/General Manager) Lin Xiaomei (Supervisor) Huang Qingliu (Director) Xiong Fangwen (Supervisor) Liao Changlu (Chairman of the board of supervisors)	Chen Hua (Chairman of the board of directors) Wang Huisheng (Director/General Manager) Wang Wei (Supervisor) Huang Qingliu (Director) Chen Liyun (Supervisor) Li Qiong (Supervisor)
	Shareholders	Chen Hua (RMB 3 million) Huang Qingliu (RMB 6 million) Xiong Xueping (RMB 1 million)	Chen Hua (RMB 3 million) Huang Qingliu (RMB 6 million) Wang Huisheng (RMB 0.5 million) Huang Zhigang (RMB 0.5 million)
16-11-2004	Legal	Chen Hua	Guo Qingquan

	Representative		
	Directors	Chen Hua (Chairman of the board of directors) Wang Huisheng (Director/General Manager) Wang Wei (Supervisor) Huang Qingliu (Director) Chen Liyun (Supervisor) Li Qiong (Supervisor)	Guo Qingquan (Chairman of the board of directors) Wang Huisheng (Director/General Manager) Huang Zhigang (Director/Deputy General Manager) Gao Meng (Director) Luo Guilian (Director) Wang Wei (Supervisor) Chen Liyun (Supervisor) Li Qiong (Supervisor)
	Shareholders	Chen Hua (RMB 3 million) Huang Qingliu (RMB 6 million) Wang Huisheng (RMB 0.5 million) Huang Zhigang (RMB 0.5 million)	Guo Qingquan (RMB 3 million) Luo Guilian (RMB 3 million) Gao Meng (RMB 3 million) Wang Huisheng (RMB 0.5 million) Huang Zhigang (RMB 0.5 million)
12-04-2006	Address	Economic Development Zone, Suqian City	No. 322 Fumin Avenue, Economic Development Zone, Suqian City
28-01-2008	Shareholders	Guo Qingquan (RMB 3 million) Luo Guilian (RMB 3 million) Gao Meng (RMB 3 million) Wang Huisheng (RMB 0.5 million) Huang Zhigang (RMB 0.5 million)	Guo Qingquan (RMB 3 million) Chen Hua (RMB 3 million) Gao Meng (RMB 3 million) Wang Huisheng (RMB 0.5 million) Huang Zhigang (RMB 0.5 million)
29-06-2010	Registered Capital	RMB 10 million	RMB 80 million
	Paid-in Capital	RMB 10 million	RMB 80 million
	Legal Representative	Huang Zhigang	Chan Tak Yuen
	Directors	Huang Zhigang (Chairman of the board/General Manager)	Chan Tak Yuen (Chairman of the board) Chen Hua/Zhao Weimao

		Liao Chunhe (Director) Cheng Lin (Director) Wang Huisheng (Supervisor)	(Director) Wu Yongzheng (Supervisor) Li Mingchen (General Manager)
	Shareholder	HOMIX LIMITED (RMB 10 million)	HOMIX LIMITED (RMB 80 million)

117. Thus, the AIC records reflect that Chen Hua was a shareholder of Jiangsu Dayang from August 19, 2003 to November 16, 2004 when she divested herself of her shares. On January 28, 2008, she again became a shareholder and there is no record that she has since disposed of her shares.

118. The AIC records further reflect that Chen Hua was a legal representative of Jiangsu Dayang from August 19, 2003 to November 16, 2004, and chairperson of the board of directors of Jiangsu Dayang for the same period.

Findings regarding disclosure of Homix as a related-party

119. As set out above, our investigation reveals that Chen Hua was a shareholder and legal representative of a Homix subsidiary at the time a Sino-Forest subsidiary acquired Homix. However, I have not identified any disclosure in the published material of Sino-Forest that reflects the previous involvement of Chen Hua with Jiangsu Dayang.

120. The Second Report states that the Independent Committee has evidence that Chen Hua did not hold a position in Jiangsu Dayang after January 28, 2008. However, the documents I have reviewed, as indicated above, indicate that Chen Hua continued to be a shareholder of Jiangsu Dayang after this date.

Records of Homix patents

121. An Intellect Consultancy agent, Chiu Kong Sang, has advised me and I believe that he has searched for any patents in the name of Jiangsu Dayang. A copy of the search is attached and marked as Exhibit "ZZ".

122. The PRC State Intellectual Property Office database records revealed that Jiangsu Dayang Wood Co., Ltd 江苏大阳木业有限公司 has two registered patents in the PRC as follows:

Application Date	Patent	Applicant No.	Inventor
2008-08-22	Wood dyeing method and equipment 木材染色的方法及其设备	200810142046.1	Che Binglei 车炳雷; Huang Xianshun 黄衍顺
2008-08-22	Wood dyeing equipment 木材染色的设备	200820146919.1	Che Binglei 车炳雷; Huang Xianshun 黄衍顺

123. As indicated earlier in this affidavit, Sino-Forest's 2009 Annual Report states that "Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture". This description of Homix's patents is different than the patents identified in the chart above, which are described as patents for wood dyeing.

124. We have also reviewed the financial statements filed by Jiangsu Dayang for the 2009 period, immediately prior to the acquisition of Homix by Sino-Forest. Choy Suk Chung who is a Chinese accountant employed by Intellect Consultancy Ltd has examined the accounts and advised me of the following information:

Item	As at Dec. 31, 2009
Current Assets	RMB 17,353,803.26
Total Assets	RMB 45,711,989.57
Current Liabilities	RMB 47,995,288.18
Total Liabilities	RMB 47,995,288.18
Share Capital	RMB 10,000,000.00
Shareholder's Equity	RMB -2,283,298.61
Liabilities and Shareholder's Equity	RMB 45,711,989.57
Revenue	RMB 29,573,000.00
Tax	RMB 1,387,000.00
Net Profit	RMB -6,711,993.24

125. This shows negative shareholders equity and a negative net profit for Jiangsu Dayang in the year immediately preceding the acquisition of Homix Limited.

126. We also review the AIC records for Guangzhou Panyu Dacheng Wood Co., Ltd. (“Panyu Dacheng”). These records consist of 261 pages in Chinese. I asked Wong Kam Yee to review those 261 pages and instructed her to identify those pages that disclose information in relation to the incorporation, legal representatives, shareholders, directors, material changes and/or financial status of Panyu Dacheng. Copies of those Chinese documents with English translations prepared by Madam Wong Kam Yee are attached and marked as Exhibits “AAA” to Exhibit “OOO”.

127. The AIC records show that Panyu Dacheng was established on July 21, 1998. It is a limited company with an issued registered capital of RMB 1 million. Chan Tak Yuen (“Allen Chan”) is the legal representative.

Company Name	Guangzhou Panyu Dacheng Wood Co., Ltd. 广州市番禺大成木业有限公司
Registration No.	440126400000999
Registered Address	Zhi Village, Dashi Street, Panyu District, Guangzhou 广州市番禺区大石街植村
Legal Representative	Chan Tak Yuen 陈德源
Registered Capital	RMB 1 million
Date Established	21-July-1998
Period of Operation	20 years – (21-July-1998 to 21-July-2018)
Company Type	Limited Company (WOFE)
Registering Authority	Guangzhou Panyu AIC
Business Scope	Research, development and manufacture of artificial boards; sale of products manufactured on itself; wood processing and engineering technology consultancy service.
Status	Active

Shareholder

Name	Subscription (RMB)	Percentage %
HOMIX LIMITED 恒大控股有限公司	RMB 1 million	100%

Key Executives

Name	Position
Chan Tak Yuen 陈德源	Chairman of the board
Liao Chunhe 廖春和	Manager

Name	HOMIX LIMITED 恒大控股有限公司
Address	P.O. Box 3321, Drake Chambers, Road Town, Tortola, British Virgin Islands
Registration No.	1445474

Changes

Date	Change	Before Date	After Date
18-12-2000	Name	Panyu City Dacheng Wood Co., Ltd. 番禺市大成木业有限公司	Panyu Dacheng Wood Co., Ltd. 番禺大成木业有限公司
	Address	Zhi Village, Dashi Township, Panyu City 番禺市大石镇植村	Zhi Village, Dashi Township, Panyu District, Guangzhou 广州市番禺区大石镇植村
06-04-2006	Shareholders	Huang Yanshun 黄衍顺 (RMB 0.1 million) Cai Yingxin 蔡迎新 (RMB 0.9 million)	Huang Yanshun 黄衍顺 (RMB 0.1 million) Luo Guilian 罗贵连 (RMB 0.9 million)
25-06-2008	Address	Zhi Village, Dashi Township, Panyu District, Guangzhou 广州市番禺区大石镇植村	Zhi Village, Dashi Street, Panyu District, Guangzhou 广州市番禺区大石街植村
	Business Term	No Limit	1998-07-21 to 2018-07-21
11-11-2008	Shareholders	Huang Yanshun 黄衍顺 (RMB 0.1 million) Luo Guilian 罗贵连 (RMB 0.9 million)	Homix Limited 恒大控股有限公司 (RMB 1 million)
	Legal Representative	Huang Yanshun 黄衍顺	Huang Zhigang 黄志刚
	Directors	Huang Yanshun 黄衍顺 (Executive Director/Manager) Gao Xueling 高雪玲	Huang Zhigang 黄志刚 (Chairman of the board/Manager) Cheng Lin 成林/Liao

- 42 -

		(Supervisor)	Chunhe 廖春和 (Director) Wang Huisheng 汪惠生 (Supervisor)
	Company Type	Limited	Limited (WFOE)
	Business Scope	Research, development, processing and sale of artificial boards, wood and wooden products; engineering technology consultancy service.	Research, development and manufacture of artificial boards; sale of products manufactured on itself; wood processing and engineering technology consultancy service.
	Registration No.	4401262000027	企独粤穗总字第304265号
30-07-2009	Directors	Huang Zhigang 黄志刚 (Chairman of the board/Manager) Cheng Lin 成林/Liao Chunhe 廖春和 (Director) Wang Huisheng 汪惠生 (Supervisor)	Huang Zhigang 黄志刚 (Chairman of the board/Manager) Chen Binghua 陈炳华 /Liao Chunhe 廖春和 (Director) Qian Kaipeng 钱开鹏 (Supervisor)
	Registration No.	企独粤穗总字第304265号	440126400000999
24-05-2010	Legal Representative	Huang Zhigang 黄志刚	Chan Tak Yuen 陈德源
	Directors	Huang Zhigang 黄志刚 (Chairman of the board/Manager) Chen Binghua 陈炳华 /Liao Chunhe 廖春和 (Director) Qian Kaipeng 钱开鹏 (Supervisor)	Chan Tak Yuen 陈德源 (Chairman of the board) Chen Hua 陈华/Zhao Weimao 赵伟茂 (Director) Wu Yongzheng 吴永争 (Supervisor)
29-09-2010	Manager	Huang Zhigang 黄志刚	Liao Chunhe 廖春和

128. We have also reviewed Panyu Dacheng financial statements for the 2009 period, immediately prior to the acquisition of Homix by Sino-Forest. Choy Suk Chung has examined the accounts and advised me of the following information:

Item	As at Dec. 31, 2009
Current Assets	RMB 14,875,830.19

Non Current Assets	RMB 10,318,615.01
Total Assets	RMB 25,194,445.20
Current Liabilities	RMB 10,979,346.19
Non Current Liabilities	RMB 13,323,155.88
Total Liabilities	RMB 24,302,502.07
Share Capitals	RMB 1,000,000.00
Shareholder's Equities	RMB 891,943.13
Liabilities and Shareholder's Equities	RMB 25,194,445.20
Revenue	RMB 20,612,728.43
Net Profit	RMB 197,755.43

129. I am advised by Chiu Kong Sang of Intellect Consultancy, and I believe, that he conducted a search of the PRC State Intellectual Property Office database records. These reflect that Guangzhou Panyu Dacheng Wood Co., Ltd 广州市番禺大成木业有限公司 has not registered any patent designs in the PRC.

(e) The Possession of Maps in Mainland China by foreigners or foreign commercial organisations

130. The Final Report of the Independent Committee of the Board of Directors of Sino- Forest Corporation, dated January 31, 2012 states:

The Second Interim Report discussed the absence of maps in documentation for BVI timber purchase transactions. In response to these concerns, Management provided information regarding various issues regarding the due diligence conducted prior to entering into a BVI timber purchase contract, including maps which in the case of timber purchases were provided through forestry bureaus.

Management also provided copies of news articles regarding foreigners being subject to criminal sanctions in China for possessing maps and other geographical information that were deemed to be classified as state secrets. The IC has reviewed these responses from Management and was unable to verify all of Management's assertions regarding forestry maps or that forestry mapping information would be regarded as subject to such sanctions but recognizes that this is an area of the law in China where a conservative approach may be prudent.

In mid December 2011, Management provided a document entitled "Detailed Description of Locating Forestry Resources in China" which explains how the locations of BVI standing timber assets are determined. This document has been provided to the Board. It indicates that although certain types of stand maps and these land descriptions are available as part of PRCs, maps are not

readily available for continuing possession by persons trading in standing timber without a lease as is the case of the transactions by SF's BVI model.

Management indicates that such maps usually can be borrowed from forestry bureaus (but not retained) and are used by the survey companies as part of the Company's due diligence. Management believes the ability of a foreign company to retain such maps is unclear and has adopted a cautious approach to this issue. The advice received by the IC from independent forestry experts is that this practice is not inconsistent with the practice of other parties in China who buy and sell standing timber without leasing the underlying land.

131. From my own personal knowledge of working in China as the head of the anti-smuggling task force prior to 1997, and whilst the Assistant Commissioner of Police handling Hong Kong and Mainland China border issues, and more recently in my position as Executive Director of Security and Legal Services with the Hong Kong Jockey Club, I have experience of and exposure to the Mainland Chinese position on the public possession of and use of area maps of China.

132. From my experience, the official position of the Mainland Chinese Government and application within the Provinces has changed considerably from since 2000. Following the directive of Deng Xiao Peng regarding the opening up of China to foreign trade, there are now far fewer restrictions on the possession and use of maps. On my first visit to China in the early 1990's it was difficult to obtain any accurate provincial level maps. However, since that time, China has advanced to the stage where it now produces its own maps for Mainland China manufactured Global Positioning Systems ("GPS"), which are freely available for purchase by the general public. Furthermore, most new high end vehicles produced and sold in China are now equipped with a built-in GPS, utilising accurate maps and latitude and longitude location identification.

133. In addition, visitors to China are widely encouraged to use city maps on hand held GPS. Furthermore, China is covered by 'Google' (internet search engine) satellite photographs and map overlays to which access is not restricted in Mainland China.

134. As the executive director of security and corporate legal services at the Hong Kong Jockey Club, I was involved in the land site selection and acquisition for a new thoroughbred horse

training facility in a rural area of Guangdong Province. This is the southernmost province of China bordering Hong Kong. Detailed land maps including property ownership boundaries and satellite imaging were freely available at the various sites which were examined.

135. The only exception is that possession of a detailed map of a military installation could carry the risk of arrest and enquiry by the Public Security Bureau. However, I believe that this would also be a matter for investigation in countries other than the PRC.

136. Based on my experience, given that Sino-Forest and its subsidiaries are in an industry in which maps would be an integral part of their business, their business is legally recognised in China, and forestry title boundaries would have to be designated by means of maps, I find it implausible that Sino-Forest is unable to secure maps of the areas for which they claim to have legal title.

(f) Sonic Jita

137. At Pages 67 to 70 of the Second Report, under “RELATIONSHIPS”, the allegations of Muddy Waters in relation to Yuda Wood and Sonic Jita are discussed extensively.

138. In its investigation, the Independent Committee set out the following information:

(d) Statutory Declarations

The issues of SF’s relationship with Yuda Wood were still being examined by the IC Advisors in the middle of August, 2011, at a time when the Company’s quarterly report for the period ending June 30, 2011 (“Q2s”) were being prepared.

To address certain issues relating to Yuda Wood pending completion of the IC’s review, statutory declarations were obtained by the IC and the Audit Committee from the following members of Management at the IC’s request:

- Allen Chan;
- Albert Ip; and
- Chen Jun.

The declarations were prepared with assistance from the Company's counsel and

were sworn on August 15, 2011.

In his statutory declaration, Allen Chan declared that:

(i) he did not hold a direct or indirect or beneficial shareholding interest in Yuda Wood, Beijing Sonic Jita or Hong Kong Sonic Jita or their affiliates, and was not involved in their operations and that he did not have other personal arrangements with or entitlements from these entities; and (ii) to his knowledge, no officer, director or employee of SF held a direct or indirect or beneficial shareholding interest in Yuda Wood, Beijing Sonic Jita or Hong Kong Sonic Jita or their affiliates or was involved in their operations, and that to his knowledge, no other officer, director or employee of SF had any other personal arrangements with or entitlements from these entities.

In his statutory declaration, Albert Ip:

(i) denied having ever been an executive of Hong Kong Sonic Jita, held himself out to be a representative of Hong Kong Sonic Jita or entered into a contract in 2005 with Hong Jiang City, Hunan Province, on behalf of Hong Kong Sonic Jita; and

(ii) further declared that Zhan Xiaokun and Chen Jun did not become employees of SF until after resigning as directors from, and selling their shares in, Hong Kong Sonic Jita.

However, searches at Hong Kong's Companies Registry in August 2011 indicated that Chen Jun remained a director and shareholder of Hong Kong Sonic Jita since joining SF in July 2010. In response to this finding, SF counsel arranged for Chen Jun to make a statutory declaration in which he declared that he had been only a nominee shareholder in Hong Kong Sonic Jita, and had submitted a letter to the other shareholder and director of Hong Kong Sonic Jita, Huang Ran, on June 26, 2010, tendering his resignation as director and asking to transfer his shares to Huang Ran. Huang Ran appears, from the documents exhibited to Chen Jun's statutory declaration, to have only filed documents implementing such requests with Hong Kong's Companies Registry and Stamp Duty office one year later, on June 10, 2011. Those documents were dated July 30, 2010, and included minutes of a shareholders' meeting allegedly held in Hong Kong on July 30, 2010, and attended by Chen Jun, at which his resignation as director and sale of his shares was approved. Chen Jun stated in his declaration that he did not attend any such meeting.

139. Searches have been conducted by Chiu Kong Sang of Intellect Consultancy Ltd for documents filed with the High Court Registry in Hong Kong and by Tse Siu Cheung, an

employee of Intellect Consultancy Ltd in relation to any litigation in which Sino-Forest or subsidiaries of Sino-Forest has been involved. Our searches indicate that litigation was commenced in Hong Kong in which Hua Dao Shipping (Far East) Ltd and BM Shipping Group SRL sued Sino-Wood Partners in High Court Action 5439 of 1998. Sonic Jita Engineering Company Limited was identified in the statement of claim as an associated company of Sino-Wood Partners Ltd. A copy of the writ has been obtained from the Court Registry, and is attached and marked as **Exhibit "PPP"**.

140. Searches have been conducted by myself on-line through ICRIS which is the official web site of the Registrar of Companies in Hong Kong. All of the statutory information filed by Sonic Jita Engineering Company Ltd has been downloaded for the period 2006 to the most recent return on 22nd August 2011. Copies of the documents are attached and marked Exhibit "QQQ". I have prepared a schedule of the information which has been filed with the Registrar of Companies as follows:

Company No.	435844
Company Name	Sonic Jita Engineering Ltd. (On the date of incorporation, the company name was Combine (Far East) Ltd. 永合(遠東)有限公司, the company changed to Sino-Fiber Partners Ltd. 嘉安纖維有限公司 on November 30, 1993, Vicondia Ltd. on September 7, 1995 and changed to the current name on August 1, 1997.)
Date of Incorporation	15-July-1993
Corporate Secretary	Panoccean Secretarial Services Ltd. (CR No. 227964) 美信秘書服務有限公司 Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong
	Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Hong Kong
	The total nominal value is HKD10,000. The authorized share capital is 10,000 shares which were issued, each with a nominal value of

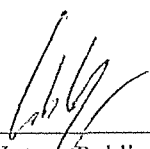
	HKD1.00.
--	----------

141. According to the information we obtained from ICRIS, Chen Jun was appointed a director of Sonic Jita on February 2, 2007. The other director was Huang Run and the return was filed with the Registrar of Companies on February 2, 2007, the same date of the appointment. On that same date, Zhan Xiao Kun who was an existing shareholder transferred his 5,000 shares to Chen Jun, as evidenced by an annual return of directors and shareholders which was filed on July 25, 2007 with the Registrar of Companies.

142. Both Huang Run and Chen Jun are reflected as the two directors and shareholders of Sonic Jita until such time as a "Notification of Change of Secretary and Director (Appointment/Cessation)" was filed on June 10, 2011. This is after the date of the Muddy Waters Report in which specific allegations were made about the related party nature of Sonic Jita. The return purported to show that Chen Jun had in fact resigned as a director of Sonic Jita nearly one year earlier on July 30, 2010.

143. An annual return filed on August 22, 2011 purported to show that Chen Jun had transferred his 5,000 shares of Sonic Jita to Huang Run on July 30, 2010, more than one year after the return had been filed. There should be in existence bought and sold notes and instruments of transfer stamped to indicate that stamp duty was made within 2 days of the actual transaction which purported to be on July 30th 2010. The Inland Revenue Department of the Hong Kong Government has set out the rules governing the sale or transfer of stock in Hong Kong. I have attached a copy of such marked as Exhibit "RRR".

SWORN OR ~~AFFIRMED~~ before)
me at the Special Administrative)
Region of Hong Kong, in the)
People's Republic of China, this 29th)
day of February, 2012.)
))
))
))



Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



Stephan Gowan Chandler

Trustees of the Labourers' Pension Fund of Central and Eastern Canada,
et al.
Plaintiffs

and

Sino-Forest Corporation, *et al.*
Defendants

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF STEPHEN GOWAN CHANDLER
(Sworn February 29, 2012)**

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Michael G. Robb (LSUC#: 45787G)
Tel: 519.660.7872
Fax: 519.660.7873
Daniel E.H. Bach (LSUC #: 52087E)
Tel: 416.362.8334
Fax: 416.362.2610

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903
Lawyers for the Plaintiffs

1778938.1

This is Exhibit "A" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

Handwritten notes and signatures in the top left corner.



19. 90. No. A

1671

IN THE SUPREME COURT OF HONG KONG

HIGH COURT

Between	CHINA FOREIGN TRADE LEASING CORPORATION	1st Plaintiff
	SUMLEASE INVESTMENT LIMITED	2nd Plaintiff
	and	
	NEW ROSS INVESTMENTS LIMITED	1st Defendant
	CHAN TAK YUEN	2nd Defendant

SUPREME COURT OF HONG KONG
REGISTRY
1019 WING LUN STREET
HONG KONG

To the ~~Defendant~~ 1st Defendant NEW ROSS INVESTMENTS LIMITED whose registered office is situate at 1501, Hutchison House, Central, Hong Kong

AND TO THE 2nd Defendant CHAN TAK YUEN of (i) Room 227-9, Park Lane Square, 132-134 Nathan Road, Kowloon, Hong Kong; (ii) Flat C, 8th Floor, Kwong Fai Court, No.1 Fessenden Road, Kowloon, Hong Kong and (iii) Flat No.3, 4th Floor, Block A, Chun Man Court, No.66 Chung Hau Street, Kowloon, Hong Kong.

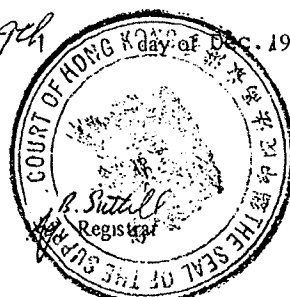
THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiff in respect of the claim set out on the back.

Within (14) days after the service of this Writ on you, counting the day of service, you must either satisfy the claim or return to the Registry of the Supreme Court the accompanying ACKNOWLEDGMENT OF SERVICE stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

Issued from the Registry of the Supreme Court this

17th day of Dec. 19 90



Note:- This Writ may not be served later than 12 calendar months beginning with that date unless renewed by order of the Court.

STATEMENT OF CLAIM

1. At all material times, the 1st Plaintiff was, and still is, a company incorporated under the laws of the People's Republic of China, carried and carries on business at No. 20, Sha Tan Hou Jie, Beijing, People's Republic of China.

2. At all material times, the 2nd Plaintiff was, and still is :-

(i) A company incorporated under the Hong Kong Companies Ordinance with limited liability having a share capital carried and carries on business at Units 703-4, 7th Floor, Hilder Centre, 2 Sung Ping Street, Hunghom, Kowloon.

(ii) The agent of the 1st Plaintiff in Hong Kong.

3. At all material times, the 1st Defendant was a company incorporated under the Hong Kong Companies Ordinance with limited liability having a share capital carried on business at Room 1501, Hutchison House, Hong Kong.

4. At all material times, the 2nd Defendant was one of the directors and the majority shareholder of the 1st Defendant.

5. By an agreement made in Beijing, China and made on 28th November 1988 and made between the 1st Plaintiff and the 1st Defendant and, in consideration of the money to be advanced by the 1st Plaintiff, the 1st Defendant agreed to repay all sums so

advanced with interest upon terms (hereinafter called "the 1st agreement").

6. The following are, inter alia, express conditions of the 1st agreement :-

- (i) That the 1st Plaintiff shall advance the sum of US\$647,474.75 to the 1st Defendant;
- (ii) That the said sum shall be utilised by the 1st Defendant solely for the purpose of the purchase of the issued share of one Tai Yuen Shipyard Limited and in no circumstances shall the same be used for any other purpose;
- (iii) That the principal sum so advanced would carry an interest calculated at LIBOR + 3/8%;
- (iv) That the principal and interest should be repaid at the expiry of a eight months' period as from the date of such advance;
- (v) That the 1st Plaintiff and its authorised agent shall be entitled to scrutinized the use of and to trace the whereabouts of the sum so advanced, in particular, the execution of the 1st Defendant's development plan, business management, financial position, condition of stocks and the like and that the 1st Defendant shall provide the same to the 1st Plaintiff;
- (vi) That, during the currency of the 1st agreement, the 1st Defendant shall provide all information (e.g. development plans, developed items, financial reports, profit and loss accounts prepared by qualified

accountants and reports on business management, etc.)
to and upon request by the 1st Plaintiff;

- (vii) That the 1st Plaintiff shall be entitled to repayment forthwith, upon demand, of the principal and interest due without giving any reasons.

7. On or about 28th November 1990, a sum of US\$647,474.75 was advanced by the 1st Plaintiff to the 1st Defendant receipt of which was duly acknowledged.

8. In the premises aforesaid, subject to the express condition referred to in paragraph 6(vii) above, the said sum of US\$647,474.75 was repayable by the 1st Defendant together with interest on or before 28th July 1989.

9. The 1st Defendant was unable to repay the principal and interest on or before 28th July 1989.

10. Between 28th November 1988 and 28th July 1989 on diver occasions, the 1st Defendant through the 2nd Defendant informed the 1st Plaintiff that the money so advanced by the 1st Plaintiff under the 1st agreement had not been utilized for the purpose of the purchase of the issued shares of Tai Yuen Shipyard Limited and it requested the 1st Plaintiff :-

- (i) To grant an extension of time of repayment of the principal and interest due and payable under the 1st agreement; and
(ii) To modify the restriction for utilization of the money

so advanced under the 1st agreement.

11. By a second agreement (hereinafter called "the 2nd agreement") made in Beijing, China and made on 28th July 1989 and a supplemental agreement (hereinafter called "the Supplemental Agreement") made on 19th September 1989 between the 1st Plaintiff and the 1st Defendant and, in consideration of, inter alia :-

- (i) The 1st Plaintiff agreeing to extend the time for repayment of the principal and interest so advanced under the 1st agreement; and
- (ii) The 1st Plaintiff and the 1st Defendant agreeing to discharge their respective rights and liabilities under the 1st agreement,

the 1st Plaintiff agreed to advance money to the 1st Defendant and the 1st Defendant agreed to repay the principal and interest thereon upon terms.

12. The following are, inter alia, express conditions of the 2nd agreement and the Supplemental Agreement :-

- (i) That the 1st Plaintiff shall advance the sum of US\$683,551.00 to the 1st Defendant;
- (ii) That the said sum shall be drawn down applied or be deemed to be drawn down and applied on 30th July 1989 by the 1st Defendant to repay the principal and interest so advanced under the 1st agreement, calculated up to 30th July 1989 as the sum of US\$683,551.00;
- (iii) That the principal sum so advanced under the 2nd

- agreement would carry an interest at the rate of 9.875% per annum;
- (iv) That the principal and interest shall be repaid at the expiry of a six months' period as from the date of such advance;
 - (v) That the 1st Plaintiff and its authorised agent shall be entitled to scrutinised the use of and to trace the whereabouts of the sum so advanced, in particular, the execution of the 1st Defendant's development plan, business management, financial position, condition of stocks and the like and that the 1st Defendant shall provide the same to the 1st Plaintiff;
 - (vi) That, during the currency of the 2nd agreement, the 1st Defendant shall provide all information (e.g. development plans, developed items, financial reports, profit and loss accounts by accountants and reports on business management etc.) to and upon request by the 1st Plaintiff;
 - (vii) That the 1st Plaintiff shall be entitled to payment forthwith, upon demand, of principal and interest due without giving any reasons.

13. Further, it was orally agreed between the 1st Plaintiff and the 1st Defendant at the time when they entered into the Supplemental Agreement that the sum previously lent to the 1st Defendant under the 1st agreement shall be or shall have been used or continued to be used solely for the purpose of the development for the export of certain itemised goods and in no

circumstances shall the same be used for any other purposes.

14. Pursuant to the 2nd agreement and the Supplemental Agreement, the 1st Defendant drew down or was deemed to have drawn down on 30th July 1989 the sum of US\$683,551.00 as being advanced by the 1st Plaintiff to the 1st Defendant, which sum was pursuant to the Supplemental Agreement applied by the 1st Defendant to pay off its liabilities under the 1st agreement.

15. In the premises aforesaid, subject to the express condition referred to in paragraph 12 (vii) above, the principal sum of US\$683,551.00 with interest at the rate of 9.875% per annum thereon should be repaid by the 1st Defendant to the 1st Plaintiff on 30th January 1990.

16. By a written guarantee of 19th September 1989 and signed by the 2nd Defendant and, in consideration of the 1st Plaintiff, inter alia, refraining from exercising its rights under the express condition referred to in paragraph 12 (vii) above and executing the Supplemental Agreement in favour of the 1st Plaintiff, the 2nd Defendant agreed to pay and satisfy, on demand, all sums remained due and payable by the 1st Defendant to the 1st Plaintiff under or on account of the 2nd agreement (hereinafter called "the said guarantee").

17. The said guarantee provided expressly that the same shall be subject to and enforceable under Hong Kong laws and all disputes arising thereunder shall be adjudicated by the Hong Kong

18. Acting upon the said guarantee, the 1st Plaintiff refrained from, inter alia, exercising its rights under the express condition referred to in paragraph 12 (vii) above and entered into the Supplemental Agreement.

19. The 1st Defendant has, despite repeated demands and requests, failed or refused to pay the 1st Plaintiff the principal sum so advanced and interest aforesaid under or on account of the 2nd agreement, or any part thereof upon the expiry of the six months' period.

20. The principal and interest outstanding and calculated in accordance with the 2nd agreement as at 28th November 1990 amounted to US\$799,979.92, full particulars thereof exceeds 3 folios and are set out in the Schedule hereof.

21. Further, pursuant to the express conditions referred to in paragraphs 12 (v) and 12 (vi) above, between 28th July 1989 and 13th July 1990, the 1st Plaintiff demanded and requested the 1st Defendant to provide all information relating to the utilization of the money so advanced by the 1st Plaintiff to the 1st Defendant, in particular, the development plans, developed items, financial reports, profit and loss accounts prepared by accountants and reports on business management relating to the development of export goods.

22. In breach of its duty, the 1st Defendant has, save and except for a handwritten development plan supplied to the 1st Plaintiff on or about 13th July 1990, failed or refused to provide the information referred to in paragraph 21 above. In particular, the 1st Defendant has failed or refused to provide :-

- (i) Information and documents relating to the development projects of the 1st Defendant financed by the use of the funds deemed to be available to the 1st Defendant under the provisions at paragraph 13 above;
- (ii) The financial reports on such development projects;
- (iii) The profit and loss accounts prepared by a qualified accountant relating to such development projects;
- (iv) Information and documents relating to the utilization, remittance, deposit and transfer showing the whereabouts and/or application of the money so advanced by the 1st Plaintiff.

23. Under the 2nd agreement and the Supplemental Agreement, in particular, the express condition referred to in paragraphs 12 (v) and 12 (vi) above, the 1st Defendant is an accounting party to the information referred to in paragraphs 21 and 22 above and it is obliged to give an account of the matters referred to in paragraphs 21 and 22 above.

24. Further, between 30th January 1990 and up to the date of the Writ of Summons hereof, the 1st Plaintiff demanded the 2nd Defendant to honour his liability under the said guarantee by paying and discharging the sum of the principal and interest

outstanding or on account of the 2nd agreement.

25. Despite repeated demands, the 2nd Defendant has failed or refused to pay the 1st Plaintiff the sum referred to in paragraph 24 above save for a sum of HK\$15,000.00.

26. In purported discharge of part of his liability aforesaid, the 2nd Defendant issued the following cheques drawn upon the Hongkong and Shanghai Banking Corporation in favour of the 2nd Plaintiff, as the agent of the 1st Plaintiff :-

<u>CHEQUE NO.</u>	<u>DUE DATE</u>	<u>AMOUNT</u>
760252	5th June 1990	HK\$300,000.00
760253	5th December 1990	HK\$700,000.00

27. The said cheques were, and each of them was dishonoured upon presentation on their respective due dates.

28. Despite notice of dishonour having been given to him, the 2nd Defendant has failed or refused to redeem the said cheques or any of them.

AND THE 1ST AND 2ND PLAINTIFFS CLAIM :-

(A) By the 1st Plaintiff against the 1st Defendant

(1) Under Paragraphs 19 and 20 above;

The sum of US\$799,979.92;

(2) Under Paragraph 22 above;

An Order that the 1st Defendant doth by its

director, namely the 2nd Defendant, give an account under oath/affirmation setting out full particulars as to the utilization of the money so advanced by the 1st Plaintiff to the 1st Defendant under the 1st and/or 2nd agreements, including but not limiting to :-

- (a) All information and documents relating to the development projects referred to in paragraph 22 (i) above;
- (b) All financial reports on such development projects;
- (c) All profit and loss accounts to be prepared by a qualified accountant relating to all such development projects;
- (d) All information and documents relating to the utilization, remittance, deposit, transfer showing the whereabouts or application of the money so advanced by the 1st Plaintiff.

- (3) Interest;
- (4) Further or other relief as is just;
- (5) Costs.

(B) By the 1st Plaintiff against the 2nd Defendant;

- (1) Under Paragraphs 20, 24 and 25 above;
The sum of US\$799,979.92;
- (2) Interest;
- (3) Costs.

(C)

By the 2nd Plaintiff against the 2nd Defendant;

- (1) Under Paragraphs 26, 27 and 28 above,
 - (a) the sum of HK\$300,000.00;
 - (b) the sum of HK\$700,000.00;
- (2) Interest;
- (3) Costs.

Dated the *19th* day of December 1990.

K.M. Chong

Counsel for the 1st and 2nd Plaintiffs



FOK & JOHNSON

Solicitors for the 1st and 2nd Plaintiffs

Calculation of Principal and Interest under
China trade hire loan No.004

Unit : in US \$

Loan Period : 1/2 year (89.7.28 90.1.28)

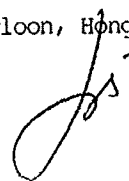
Principal	683,551.00
Handling Charges	10,250.00
Interest $693,801.00 \times 9.875\% \times 184 \div 360$	<u>35,017.68</u>
	728,818.68
Interest on Delayed	
Payment (90.1.28 11.28)	
$728,818.68 \times 11.875\% \times 304 \div 360$	73,084.32
	=====
	801,903.00
Payment received 15,000 US Dollars	<u>1,923.00</u>
Amount Due	799,979.92
	=====

院民事訟

最高法院

(Where the Plaintiff's claim is for a debt or liquidated demand only: If, within the time for returning the Acknowledgment of Service, the Defendant pays the amount claimed and \$ 1,105.00 for costs and, if the Plaintiff(s) obtain(s) an order for substituted service, the additional sum of \$ 500.00, further proceedings will be stayed. The money must be paid to the Plaintiff or his solicitor.)

THIS WRIT was issued by Messrs. Fok & Johnson of Rooms 2106-8, Harcourt House, No. 39 Gloucester Road, Hong Kong, Solicitors for the Plaintiffs whose address is Units 703-4, 7th Floor, Hilder Centre, 2 Sung Ping Street, Hunghom, Kowloon, Hong Kong.



19...90... No. A. 8671

IN THE SUPREME COURT OF HONG KONG

HIGH COURT

Issued the 7th day of Dec., 19 90

WRIT OF SUMMONS

(0.6 r. 1)

CHINA FOREIGN TRADE LEASING CORPORATION 1st Plaintiff
SUMLEASE INVESTMENT LIMITED and 2nd Plaintiff

NEW ROSS INVESTMENTS LIMITED 1st Defendant
CHAN TAK YUEN 2nd Defendant

FOK & JOHNSON
Solicitors,
Rooms 2106-8, Harcourt House,
39 Gloucester Road, Wanchai,
Hong Kong.

This is Exhibit "B" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

No. 225990
編號



CERTIFICATE OF INCORPORATION
公司註冊證書

I hereby certify that
本人茲證明

NEW ROSS INVESTMENTS LIMITED

is this day incorporated in Hong Kong under the Companies Ordinance, and
於本日在香港依據公司條例註冊成爲
that this company is limited.
有限公司。

Given under my hand this **First** day of **September**
簽署於一九八八年九月一日。
One Thousand Nine Hundred and Eighty-eight.

[Signature]
.....
p. Registrar General
(Registrar of Companies)
Hong Kong

香港註冊總署署長暨公司註冊官
(註冊主任 歐英達代行)

FORM X(i)

COMPANIES ORDINANCE
(Chapter 32)

Return of first directors and secretary

Pursuant to section 158(4)



FILED

- 7 DEC 1988

p. Registrar of Companies

To the Registrar of Companies

Company number

225990

No. of continuation sheets attached /

Name of company

New Ross Investments Limited

hereby notifies you in accordance with section 158(4) of the Companies Ordinance that—

(a) The names and particulars of the persons who are to be the first directors of the company are as follows:

For use where director is an individual

Forename (Note 2) Tak Yuen * (德源)

Surname (Note 3) Chan * (陳)

Any Former (Note 4)
Forename(s) or (1) _____ * (_____)
Surname(s) _____ * (_____)
(2) _____ * (_____)
_____ * (_____)

Any Alias(es) (1) _____ (_____)
(2) _____ (_____)

Address (Note 5) 14/F, Block A,
Flat 3, Chun Man Court
Homantin, Kowloon

Nationality British Business Occupation Company Director
(if any) (Note 6)

Particulars of Other Directorship (Note 7) _____

Hong Kong Identity Card No. E459151(1)
(if any) (Note 8)

IMPORTANT
The particulars to be given are those referred to in section 158(2)(a) of the Companies Ordinance. Please read the Notes before completing this part of the form
*Note 1

Received by
Companies Registry
Serial No. A.

094842

Forename (Note 2) _____ * ()
Surname (Note 3) _____ * ()
Any Former (Note 4)
Forename(s) or (1) _____ * ()
Surname(s) _____ * ()
(2) _____ * ()
_____ * ()
Any Alias(es) (1) _____ ()
(2) _____ ()
Address (Note 5) _____

Nationality _____ Business Occupation _____
(if any) (Note 6)
Particulars of Other Directorship (Note 7) _____

Hong Kong Identity Card No. _____
(if any) (Note 8)

Forename (Note 2) _____ * ()
Surname (Note 3) _____ * ()
Any Former (Note 4)
Forename(s) or (1) _____ * ()
Surname(s) _____ * ()
(2) _____ * ()
_____ * ()
Any Alias(es) (1) _____ ()
(2) _____ ()
Address (Note 5) _____

Nationality _____ Business Occupation _____
(if any) (Note 6)
Particulars of Other Directorship (Note 7) _____

Hong Kong Identity Card No. _____
(if any) (Note 8)

For use where the d

Name _____ Rank _____

Registered or _____

Principal Office _____

Name _____

Registered or _____

Principal Office _____

Name _____

Registered or _____

Principal Office _____

(h) The name and secretary, or

For use where the

Surname _____

Any Former S _____

Address _____

Surname _____

Any Former _____

Address _____

For use where the director is a corporation

Name <u>Ramillies Ltd</u> Registered or <u>1501 Hutchison House, Hong Kong</u> Principal Office _____ _____
 Name _____ Registered or _____ Principal Office _____ _____
 Name _____ Registered or _____ Principal Office _____ _____

(b) The name and particulars of the person who is, or the persons who are, the first secretary, or joint secretaries, of the company are as follows:

For use where the secretary or joint-secretary is an individual

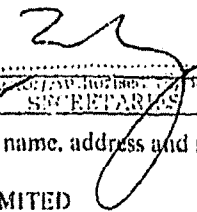
Surname _____ Forename _____ _____ Any Former Surname or Forename _____ _____ Address _____ _____
 Surname _____ Forename _____ _____ Any Former Surname or Forename _____ _____ Address _____ _____

IMPORTANT
The particulars to be given are those referred to in section 158(3) (a) of the Companies Ordinance. Please read the Notes before completing this part of the form

For use where the secretary or joint-secretary is a corporation

Name	Tengis Limited 益捷時有限公司
Registered or	1501 Hutchison House, Hong Kong
Principal Office	
Name	
Registered or	
Principal Office	
FOR AND ON BEHALF OF TENGIS LIMITED	

*Delete as appropriate

Signed  (Director) (Secretary)† Date 9th November, 88

Presentor's name, address and reference (if any)
TENGIS LIMITED
1501 HUTCHISON HOUSE
HONG KONG.

For official use

NOTES

- In the case of a Chinese director, the Chinese characters for any forename or surname, if they are used by such director, must be included.
- "Forename" includes a Christian or given name.
- "Surname" in the case of a person usually known by a title different from his surname, means that title.
- References to a "former forename or surname" do not include—
 - in the case of a person usually known by a title different from his surname, the name by which he was known previous to the adoption of or succession to the title; or
 - in the case of any person, a former forename or surname where that forename or surname was changed or disused before the person bearing the name attained the age of 18 years or has been changed or disused for a period of not less than 20 years; or
 - in the case of a married woman, the name or surname by which she was known previous to the marriage.
- Usual residential address must be given. "Residential address" does not include an address at a hotel unless the person to whom it relates is stated to have no other permanent address nor does it include a post office box number unless coupled with a residential address.
- Business occupation (which must be stated with sufficient particularity to enable identification of the duties attaching to that occupation) must be stated, if any. If none, please insert "None".
- If the director has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some one of these directorships must be given.
- "Identity card" means an identity card issued under the Registration of Persons Ordinance, Cap. 177 of the Laws of Hong Kong.

COMPANIES ORDINANCE

(Chapter 32)

Appointment of first directors

Pursuant to section 158(5)

Company number

225990

Name of company

NEW ROSS INVESTMENTS LIMITED

WE, the undersigned, being all of the subscribers to the Memorandum and Articles of Association of the above named company do hereby appoint as the first directors thereof persons who have attained the age of 21 years and consented to act as such by signing against their names set out below.

Names of Directors

Chon Tak Yuen 陳德源

Ramilles Limited

I hereby confirm that I have attained the age of years

Signature of Chon Tak Yuen

For and on behalf of RAMILLES LIMITED

Authorized Signatory Corporate Director

Received by - Companies Registry 7 DEC 1988 Serial No. A

094843

Names and signatures of Subscribers

FOR AND ON BEHALF OF TURQUANDIA LIMITED

Signature of Director for Turquandia Limited

Date: 9th November, 1988

FOR AND ON BEHALF OF SWAN NOMINEES LIMITED

Signature of Director for Swan Nominees Limited

Date: 9th November, 1988

FORM X(ii)

COMPANIES ORDINANCE
(Chapter 32)

Notice of change of directors or secretary or in their particulars

Pursuant to section 158(4)



7 DEC 1988

P. Registrar of Companies

To the Registrar of Companies

Company number

225990

Name of company

New Ross Investments Limited

hereby notifies you in accordance with section 158(4) of the Companies Ordinance that—

† w.e.f. 10th November, 1988, Chan Tak Yuen replaced Tengis Limited (登地時有限公司) as secretary of the Company

†Specify change and date thereof and if this consists of the appointment of a new director or secretary fill in also the particulars below

Particulars of new director or secretary:

For use where the new director is an individual

Forename (Note 2) _____ * ()

Surname (Note 3) _____ * ()

Any Former (Note 4)
Forename(s) or (1) _____ * ()
Surname(s) _____ * ()
(2) _____ * ()
_____ * ()

Any Alias(es) (1) _____ ()
(2) _____ ()

Address (Note 5) _____

Nationality _____ Business Occupation _____
(if any) (Note 6)

Particulars of Other _____
Directorship (Note 7)

Hong Kong Identity Card No. _____
(if any) (Note 8)

*Note 1

Received by
Companies Registry

7 DEC 1988

Serial No. A 094840

EM/AF11

Forename (Note 2) _____ * ()

Surname (Note 3) _____ * ()

Any Former (Note 4)
Forename(s) or (1) _____ ()
Surname(s) _____ * ()
(2) _____ * ()
_____ * ()

Any Alias(es) (1) _____ ()
(2) _____ ()

Address (Note 5) _____

Nationality _____ Business Occupation _____
(if any) (Note 6)

Particulars of Other Directorship (Note 7) _____

Hong Kong Identity Card No. _____
(if any) (Note 8)

Forename (Note 2) _____ * ()

Surname (Note 3) _____ * ()

Any Former (Note 4)
Forename(s) or (1) _____ * ()
Surname(s) _____ * ()
(2) _____ * ()
_____ * ()

Any Alias(es) (1) _____ ()
(2) _____ ()

Address (Note 5) _____

Nationality _____ Business Occupation _____
(if any) (Note 6)

Particulars of Other Directorship (Note 7) _____

Hong Kong Identity Card No. _____
(if any) (Note 8)

For use where the n

Name _____
Registered or _____
Principal Office _____

Name _____
Registered or _____
Principal Office _____

Name _____
Registered or _____
Principal Office _____

For use where the

Surname _____ Cha

Any Former Su

Address _____

Surname _____

Any Former Su

Address _____

For use where the

Name _____

Registered or _____

Principal Office _____

000000

For use where the new director is a corporation

Name _____
Registered or _____
Principal Office _____

Name _____
Registered or _____
Principal Office _____

Name _____
Registered or _____
Principal Office _____

For use where the new secretary or joint-secretary is an individual

Surname <u>Chan</u> <u>陳</u> Forename <u>Tak Yuen</u> <u>德源</u>
Any Former Surname or Forename _____
Address <u>14/E, Block A, Flat 3, Chun Man Court,</u> <u>Homantin, Kowloon</u>
Surname _____ Forename _____
Any Former Surname or Forename _____
Address _____

For use where the new secretary or joint-secretary is a corporation

Name _____
Registered or _____
Principal Office _____

Name _____
Registered or _____
Principal Office _____

For and on behalf of **RAMILLIS LIMITED** Number of continuation sheets attached (Note 9)

Nil

[Handwritten Signature]
 Authorized Signatory
 Corporate Director

Signed _____ (Director) (Secretary)†

Date 10th November, 88

†Delete as appropriate

Presentor's name, address and reference (if any)

TENGIS LIMITED
 1501 HUTCHISON HOUSE
 HONG KONG.

For official use

NOTES

1. In the case of a Chinese director, the Chinese characters for any forename or surname, if they are used by such director, must be included.
2. "Forename" includes a Christian or given name.
3. "Surname" in the case of a person usually known by a title different from his surname, means that title.
4. References to a "former forename or surname" do not include—
 - (i) in the case of a person usually known by a title different from his surname, the name by which he was known previous to the adoption of or succession to the title; or
 - (ii) in the case of any person, a former forename or surname where that forename or surname was changed or disused before the person bearing the name attained the age of 18 years or has been changed or disused for a period of not less than 20 years; or
 - (iii) in the case of a married woman, the name or surname by which she was known previous to the marriage.
5. Usual residential address must be given. "Residential address" does not include an address at a hotel unless the person to whom it relates is stated to have no other permanent address nor does it include a post office box number unless coupled with a residential address.
6. Business occupation (which must be stated with sufficient particularity to enable identification of the duties attaching to that occupation) must be stated, if any. If none, please insert "None".
7. If the director has no business occupation but holds any other directorship or directorships, particulars of that directorship or of some *one* of those directorships must be given.
8. "Identity card" means an identity card issued under the Registration of Persons Ordinance, Cap. 177 of the Laws of Hong Kong.
9. If the space overleaf is insufficient the names and particulars must be shown on the prescribed continuation sheet(s).

FORM IB



COMPANIES ORDINANCE
(Chapter 32)

Return of allotments

Pursuant to section 45

To the Registrar of Companies

FILED

Company number

225990

18 JAN 1989

Name of company p. Registrar of Companies

New Ross Investments Limited

hereby notifies you that the following shares were allotted ~~*between the~~
~~day of~~ 19 ~~and the~~ day of ~~19~~
19 ~~on the~~ 29th day of November, 19 88.

*Delete as appropriate.
Please see Note 1

1. †Number of shares allotted payable in cash	<u>499,998</u>	†Note 2
Nominal amount of each of the shares so allotted	<u>\$ 10.00</u>	
Amount paid or due and payable on each of the shares so allotted—		
paid	<u>\$ 10.00</u>	
due and payable on allotment	<u>\$ ---</u>	
Amount of premium paid or payable on each share	<u>\$ ---</u>	
2. †Number of shares allotted for a consideration other than cash	<u>---</u>	O1 \$10 CASH \$10 18-01-89 93980 A 3333
Nominal amount of each of the shares so allotted	<u>\$ ---</u>	
Amount to be treated as paid on each of the shares so allotted	<u>\$ ---</u>	
Amount of premium to be treated as paid on each share	<u>\$ ---</u>	

The consideration for which the shares have been so allotted is as follows:—

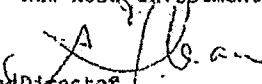
--

3. The names, descriptions and addresses of the allottees of the shares in the company and the numbers and classes of shares allotted to them are as follows:

{Note 3

Name and Description	Address	Number of shares allotted		
		Preference	Ordinary	Other kinds
Chan Tak Yuen 陳德源 (Company Director)	14/F, Block A Flat 5, Chun Man Court Hoeantin, Kowloon	--	<u>499,998</u>	--

For and on behalf of
New Ross Investments Limited

Signed Director  (Director) (Secretary)* Date 29th November, 1988
Chan Tak Yuen

Presenter's name, address and reference
(if any)

TENGIS LIMITED
1501 HUTCHISON HOUSE
HONG KONG.

For official use

NOTES

1. (a) Where a return includes several allotments made on different dates, the dates of only the first and last of such allotments should be entered and the registration of the return should be effected within one month of the first date.
(b) Where a return relates to one allotment only, made on one particular date, that date only should be inserted.
2. Where the capital of the company is divided into shares of different classes, the class of shares to which each share comprised in the allotment belongs is to be stated.
3. In the case of a Chinese allottee who has signed in Chinese characters any document relating to his allotment, or who has, by adding Chinese characters after his name on any such document or by other means, indicated that he wishes the Chinese characters to be entered on the register of members, his name must be stated both in English and in Chinese characters.

PLEASE SEE FORM IXA
NOTES (1) & (2)

COMPANIES ORDINANCE
(Chapter 32)



FILED

Notice of resignation of director or secretary
Pursuant to the proviso to section 157D(2)

22 MAY 1990

To the Registrar of Companies

Registrar of Companies

Company number

225990

Name of company

NEW ROSS INVESTMENTS LIMITED

Particulars of resigning director or secretary

For use where resigning director/secretary is an individual

Surname

Forename(s)

Address

For use where resigning director/secretary is a corporation

Name Ramilles Limited

Address of Registered or 1501 Hutchison House, Hong Kong

Principal Office

hereby notifies you in accordance with the proviso to section 157D(2) of the Companies Ordinance that—

*Complete as appropriate

(a) ~~he/she~~/it has resigned as Corporate director * of the above-named Company ("the Company") with effect from 11th July, 1989.

†Delete as appropriate

(b) ~~he/she/it is/is not~~ required by the articles of the Company or by any agreement with the Company to give notice of his/her/its resignation to the Company.

To be completed only where (b) confirms that notice is required

(c) the notice referred to in (b) has/~~has not~~ been given in accordance with the relevant requirement.

RAMILLES LIMITED

‡Where notice is given by a corporation, state office of party signing

Signed: [Signature]
Authorized Signatory
Corporate Director

Date 11th July, 1989

Presenter's name, address and reference (if any)

TENGIS LIMITED
1501 HUTCHISON HOUSE
HONG KONG

Received by
Companies Registry

22 MAY 1990

Serial No.: A 0615202

NOTES

- (1) This Form should only be used where there are reasonable grounds for believing that the Company will not give notification of the resignation in accordance with the provisions of section 157D(2) of the Companies Ordinance.
- (2) The attention of the party completing this Form is drawn to the requirements of section 157D(3) of the Companies Ordinance.

總數片封套: 1990

S. 290A

For Information Only

僅供參考

Company No. : 225990

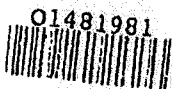
公司編號 :

Company Name : NEW ROSS INVESTMENTS LIMITED

公司名稱 :

Pursuant to Section 290A(2) of the Companies Ordinance, notice has been published on 18-10-1996 under Gazette Notice No. 4715 and at the expiration of three months from the date hereof, unless the Registrar has received all overdue annual returns, the annual registration fee payable on delivery of such annual return under Eighth Schedule of the Companies Ordinance, an additional fee of HK\$500 and a penalty of HK\$5000, the name of this company will be struck off the Register and this company will be dissolved.

根據公司條例第 290A(2) 條，第 4715 號公告已於 18-10-1996 在憲報刊登，而由該日期起計三個月期滿時，倘註冊處處長仍未收到所有逾期未交的周年申報表、公司條例附表 8 所載列在遞交該等周年申報表時須繳付的每年登記費、附加費港幣 500 元，以及罰款港幣 5,000 元，則此公司的名稱將從登記冊刪除，而公司亦予以解散。



Microfiches: 1990
縮微片貯存:

S.290A

For Information Only

僅供參考

Company No.: 225990

公司編號:

Company Name: NEW ROSS INVESTMENTS LIMITED

公司名稱:

Pursuant to Section 290A(3) of the Companies Ordinance, notice has been published on 28-02-1997 under Gazette Notice No. 949 and the name of this company has been struck off the Register. This company is accordingly dissolved as from the date of the publication of the notice.

依據公司條例第 290A(3) 條，第 949 號公告已於 28-02-1997 在憲報刊登，此公司的名稱已從登記冊刪除，而公司亦由該公告刊登當日起予以解散。



03431497



This is Exhibit "C" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

湛江雷州桉树资源发展有限公司董事会成员
及管理机构人员名单

中方成员: 陈识兴 傅冠旭 王尚明
外方成员: 陈德源 潘家傑 陈惠玲 祁述雄
董 事 长: 陈德源
副董事长: 陈识兴
总 经 理: 陈识兴
副总经理:

董事长签字: 陈德源
副董事长签字: 陈识兴

1994年1月28日

**List of Board Members and Management executives of
Zhanjiang Leizhou Eucalypt Resources Development Co. Ltd**

Members of China Party:

Chen Shixing 陈识兴
Fu Guanxu 傅冠旭
Wang Shangming 王尚明

Members of Foreign Party:

Chan Tak Yuen 陈德源
Poon Kai Kit 潘家杰
Chan Wai Ling 陈惠玲
Qi Shuxiong 祁述雄

Chairman: Chan Tak Yuen 陈德源

Deputy Chairman: Chen Shixing 陈识兴

General Manager: Chen Shixing 陈识兴

Deputy General Manager: -

Signed by Chairman: Chan Tak Yuen 陈德源
Signed by Deputy Chairman: Chen Shixing 陈识兴

January 28, 1994

This is Exhibit "D" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

广东省雷州林业局

雷林函[1998]4号

关于要求撤消 “外经贸湛合资证字[1994]065号批准证书”的函

湛江市对外经济贸易委员会：

雷州林业局（以下简称我方）与香港嘉汉木业集团有限公司（以下简称外方）经过双方协商，经你委1994年1月28日以湛经贸资批字[1994]021号文，批复了双方签订的合同书和章程，同时还核发了外经贸湛合资证字[1994]065号批准证书，批准共同出资建立“湛江市桉树资源发展有限公司”（以下简称合营公司），合营公司的编码号为162622-0012号，并于同年1月29日在湛江市工商行政管理局正式注册登记，领取了[工商企合粤湛第00604号]营业执照，至今已逾四年。现将有关情况简述如下：

一、双方缴付出资情况：

（1）我方缴付出资情况：根据双方签订的并经你委批准的和章程的规定，我方以实物折价的出资方式，按照规定的程序，并经双方法人代表签字认可，于1995年6月20日将实物资产折价资金95481503.29元人民币（折11640000.00美元），缴付给合营公司。根据粤西会计师事务所的验资报告，这笔资金占合同规定我方认缴的资本总额1175万美元的99.1%，占投资总额的

46.56%。

(2) 外方缴付出资情况：外方在合营公司组建初期的 1994 年 3 月 16 日缴付了 100 万美元。根据粤西会计师事务所的验资报告，这笔资金仅占外方认缴的资本总额 1325 万美元的 7.55%，占投资总额的 4%。此后，在规定的出资期限内，外方就一直没有继续向合营公司缴付资金了。鉴此，你委于 1996 年 1 月 30 日向外方发出了“限期出资通知书”。外方据此于同年 4 月 10 日致函你委，提出要求将出资期限延至同年的 12 月 20 日。1996 年 5 月 14 日你委复函合营公司董事长陈德源先生，申明“延长出资期限，须征得我方的同意，并对原合同的出资期限条款进行修改，双方签订补充合同，经申报批准后，延长出资期限才能生效”。1996 年 6 月 11 日，我方根据你委 5 月 14 日的函件精神，为相互沟通，积极妥善处理合营公司事宜，我方陈识兴等三名董事，联名致函合营公司董事长陈德源先生，提议于 1996 年 6 月 30 日前在湛江市召开一次董事会，商讨按照国家有关规定处理合营公司事宜。非常遗憾的是，外方既没有按照你委的复函要求与我方进行协商，也没有对我方的提议作出积极的回应，更没有向合营公司缴付资金的举动。到目前为止，至合同规定的出资期限的最后日期（1996 年 1 月 29 日）已逾期两年，至你委发出的限期出资通知的最后日期（1996 年 4 月 30 日）亦已过了一年多，可外方对出资问题却一直避而不谈，更无所动作。

二、合营公司未能进入实质性营运。

根据合同和章程的规定，举办合营公司的最主要宗旨：一是投资建设年产 5 万立方米中密度纤维板生产项目；二是营造 12 万亩基地林，年产 8 万立方米木材，为中纤板生产提供原料。合同和章程同时还规定，建设中密度纤维板生产项目所需的全部资金，

均由外方以现金出资的方式出资；我方则按合同规定的出资比例，以实物折价的出资方式缴付相应数量的出资额。由于外方在初期缴付 100 万美元资金以后，不但再也没有继续缴付资金。而且，还以外方的名义逐步从其缴付的资金中，支取或抽走了人民币达 4141045.02 元（其中抽走了 27 万美元给与合营公司无任何业务关系的花都市百兴木制品厂），这笔资金占其缴付资金的 47.6%。这样一来，尽管我方已基本缴清了认缴资本的数额（还差 0.9%），但是，由于外方缴付的资金有限，而且缴付后又从中抽走了大笔资金，使得合营公司要建设或建立的生产经营项目和要开展的生产经营活动，就因为货币资金不足和外方认缴的绝大部分货币资金不到位而无法实现，合营公司实际上还只是一个空架子，名存实亡了。

另外，合营公司成立以后的内部运作也极不正常，如董事会会议没有按规定按期召开年会，年度财务审计情况和结果也没有年度报告，外方抽走大笔资金也没有经董事会会议讨论等，在此就不一一叙述了。

根据双方缴付出资的情况和合营公司成立以来的实际状况，我方特向你委提出如下申请：

- 1、按照《中外合资经营企业合营各方出资的若干规定》的有关规定，要求撤消“湛江桉树资源发展有限公司”的批准证书，即外经贸湛合资证字[1994]065号。

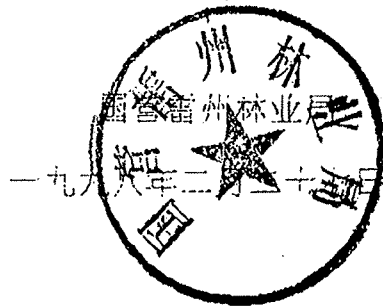
- 2、责成合营公司向当地工商行政管理机关办理注销“湛江桉树资源发展有限公司”登记手续，缴销营业执照。

- 3、协调双方处理好有关的遗留问题。

妥否，请复。

(此页无正文)

6



抄送：湛江市工商行政管理局、陈识兴局长等各位领导

Letter Requesting Cancellation of Approval Certificate WJMZHZZZ No.065 [1994]

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28th January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29th January in the same year. It has been 4 years since the registration and we set out the situation as follows:

I. Information of the investment of both sides

- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20th June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16th March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30th January 1996. In accordance with the notice, the foreign party then on 10th April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20th December the same year. On 14th May 1996, your

commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective." Based on the spirit of the letter dated 14th May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11th June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30th June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29th January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30th April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

II. The Joint Venture is not capable of attaining substantial operation

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business

relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.

Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,
2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau
1998, February 27

This is Exhibit "E" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



湛江嘉汉林业科技中心

地址：广东省湛江市赤坎百园路28号龙珠大厦908室

TEL: (0759)3215649 FAX: (0759)3210177 邮编: 521033

报 告

18

湛江市之商局：

“湛江雷州桉树资源发展有限公司”因
 以下原因，推迟了一九九七——一九九八年
 的年检工作。

(一) 由于于一九九六——一九九七年筹
 建五十万吨纸浆厂，林世了和肖林世所寻求
 终止中外合资公司，桉树资源定于由国家控
 制。本公司服从国家大局，只得等待，观望。

(二) 外方也准备 100 万美金，中方合资
 伙伴——雷州林业局未能按合资合同划
 拨林地和工厂财产，准备（人民币 100 万大）
 影响了合资公司的正常运作。



湛江嘉汉林业科技中心

地址：广东省湛江市赤坎百园路23号龙珠大厦908室
TEL: (0759)3215649 FAX: (0759)3210177 邮编: 521033

在湛江市外经委的大力协调下，最近¹⁹6月；
中方合作伙伴——雷州林业局、自愿提出合
资合同〈见附件〉允许嘉汉林业集团公司寻找
新的合资伙伴。

为此，为了保留合资合同的“建制”，下一步
对“合资合同”开展工作，特此示：

湛江市工商局，局领导批准本合同“补
办”——补办——一九九八年年检手续。

以上报告

湛江雷州林业局资源发展有限公司



一九九八年六月廿五日

Letterhead:

Zhanjiang Sino-Forest Technology Center 湛江嘉汉林业科技中心

Add: Room 908, Longzhu Building, No.28, Baiyuan Road, Chikan, Zhanjiang City,
Guangdong Province

广东省湛江市赤坎百园路 28 号龙珠大厦 908 室

Tel: 0759-3215649

Fax: 0759-3210477

P.C.: 524033

Report

To Zhanjiang Administration for Industry and Commerce:

Due to the following reasons, Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. has delayed the annual inspection for 1997-1998:

- (1) Mainly due to the preparation to build a pulp mill with the capacity of 500,000 tons in 1996-1997, the local forestry bureau and the provincial forestry department had requested the termination of the Sino-foreign joint venture. Eucalypt Resources were then taken control of by the government. Our company complied with the government policy and could only wait for the development of the situation.
- (2) After the foreign party had paid in USD 1 million of capital, the Chinese party – Leizhou Forestry Bureau - failed to contribute forestry land, factory facilities and investment (RMB 1 million), as agreed in the joint venture agreement, thus affected the normal operation of the joint venture.

Upon the coordination made by Zhanjiang Foreign Economic and Trade Commission, recently (June), the Chinese party – Leizhou Forestry Bureau withdrew from the joint venture voluntarily (see Attachment), and allowed Sino-Wood Partners Limited to seek new business partners.

In order to keep the establishment of the joint venture for the setting up of a new joint venture in the future, we hereby request Zhanjiang Administration for Industry and Commerce and its top officials to approve our late submission of the 1997-1998 annual return for inspection.

This report is hereby submitted.

(Stamp) Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd
湛江雷州桉树资源发展有限公司

June 25, 1998



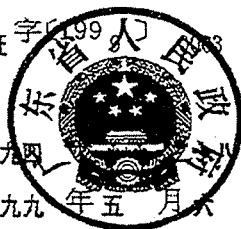
中华人民共和国台港澳侨投资企业

批准证书

CERTIFICATE OF APPROVAL

FOR ESTABLISHMENT OF ENTERPRISES WITH INVESTMENT OF TAIWAN, HONGKONG, MACAO AND OVERSEAS CHINESE IN THE PEOPLE'S REPUBLIC OF CHINA

批准号 外经贸 粤港外资证 字 199 号
 进出口企业代码 4400617803081
 批准日期 一九九 日
 发证日期 一九九 年 五 月 日



企业名称	中文	湛江雷州桉树资源发展有限公司		11
	英文	ZHANTIANG LEIZHOU EUCALYPT RESOURCES DEVELOPMENT CO. LTD		
企业地址	湛江市海滨五路159号			
企业类型	外资企业	经营年限	30年	
投资总额	2500万美元			
注册资本	1000万美元			
投资者名称(中、英文)		注册地	出资额	
香港嘉汉木业集团有限公司 SING-WOOD PARTNERS, LIMITED		香港	1000万美元	
经营范围	营林、木材加工、木制品、林产化工产品生产与销售。			

Certificate of Approval for Establishment of Enterprises - 1999

Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China Approval No.: 外经贸粤港 外资证字 (1999) 083 号 Enterprise Code: 4400617803081 Approval Date: January 28, 1994 Issuing Date: May 6, 1999 Stamp (People's Government of Guangdong Province)	Name of Enterprise	Chinese	湛江雷州桉树资源发展有限公司		
		English	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd		
	Address	No.159, Haibin No.5 Road, Zhanjiang 湛江市海滨五路 159 号			
	Type of Business	Foreign-invested enterprise	Duration of Operation	30 years	
	Total Investment	USD 25 million			
	Registered Capital	USD 10 million			
	Name of Investors	Place of Registration	Contribution		
	Sino-Wood Partners, Limited 香港嘉汉木业集团有限公司	Hong Kong	USD 10 million		
	Business Scope	Planting forests, processing timber, producing and marketing wood products, forestry chemical products.			

This is Exhibit "F" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



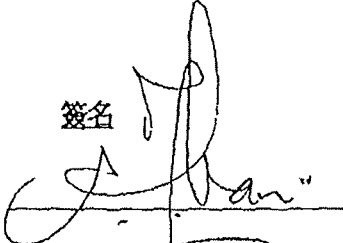
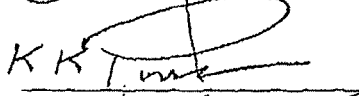

A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

董事會聘任決議書

經湛江雷州桉樹資源發展有限公司董事會全體成員研究，同意聘任潘家傑先生為該公司的總經理及陳惠玲小姐為該公司的副總經理。

全體董事會成員：

職務	姓名	簽名
董事長	陳德源	
董事	潘家傑	
董事	陳惠玲	

公司蓋章：

一九九九年七月五日

Board Resolution on Appointments

After discussion by all the board members of Zhanjiang Leizhou Eucalypt Resources Development Co. Ltd, it was agreed that Mr. Poon Kai Kit 潘家杰 be appointed as the General Manager and Ms. Chan Wai Ling 陈惠玲 be appointed as the Deputy General Manager of the company.

All members of Board of Directors:

Position	Name	Signature
Chairman	Chan Tak Yuen 陈德源	Chan Tak Yuen
Director	Poon Kai Kit 潘家杰	Poon Kai Kit
Director	Chan Wai Ling 陈惠玲	Chan Wai Ling

Company Stamp:

July 5, 1999

This is Exhibit "G" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



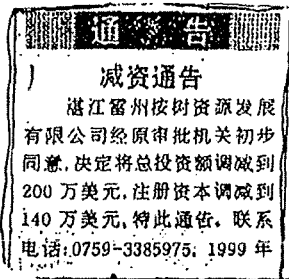
A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

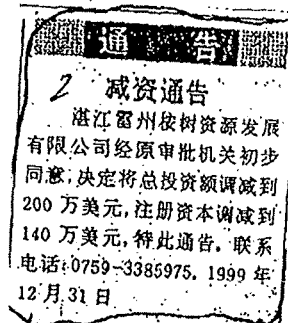
湛江市工商局：

由于我公司经营规模缩小，所以向市外经委提出减资问题。一九九九年十二月二十八日市外经委批复“湛外经贸资批字[1999]88号”文，初步同意我公司减资申请。我公司已在省级《南方日报》上刊登减资公告三次（一九九九年十二月三十日第一次，2000年元月十日第二次，2000年元月二十日第三次）。我公司在一九九九年十月由合资公司转为独资公司时，已经全面清理了债权、债务，所以刊登减资公告三个月未发生过债权、债务问题。根据上述情况，恳请市工商局批准。

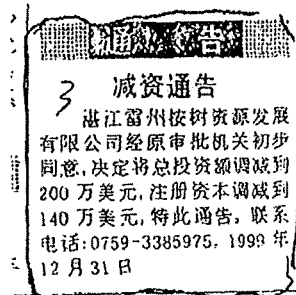
专此报告。



↑
南方日报 99年12月
31日 B3版



↑
湛江雷州桉树资源发展有限公司
南方日报
2000年1月10日
B3版



↑
湛江雷州桉树资源发展有限公司
南方日报 2000年
1月21日 B3版

To Zhanjiang Administration for Industry and Commerce:

We hereby apply for capital reduction to the Municipal Foreign Economic and Trade Commission as we have decided to scale down the business. In the official reply “湛外经贸资批字【1999】88号” dated December 28, 1999, the Municipal Foreign Economic and Trade Commission preliminarily agreed upon our application for capital reduction. We have published the announcement of capital reduction in the provincial-level Nanfang Daily three times (first time on December 31, 1999, second time on January 10, 2000, third time on January 20, 2000). When our company changed from a joint-venture to a sole proprietorship company in October 1999, we had cleared up all the debts and creditor’s rights. Therefore, there had been no disputes concerning the debts and creditor’s rights of our company within the three months since the announcement of capital reduction. Based on the above condition, we cordially request that Zhanjiang Administration for Industry and Commerce approve the capital reduction of our company.

It is hereby reported.

Announcement of Capital Reduction [Three copies displayed]

Upon the preliminary agreement of the approval authority, Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd 湛江雷州桉树资源发展有限公司 has decided to reduce the total investment to USD 2 million and the registered capital to USD 1.4 million. It is hereby announced.

Contact number: 0759-3385975

December 31, 1999

[This announcement was published on Nanfang Daily on December 31, 1999–Page B3, January 10, 2000– Page B3 and January 20, 2000 – Page B3 respectively.]

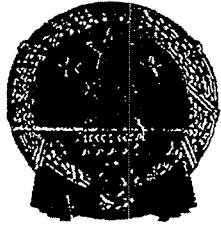
(Stamp) Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd
湛江雷州桉树资源发展有限公司

This is Exhibit "H" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



中华人民共和国台港澳侨投资企业

批准证书

CERTIFICATE OF APPROVAL

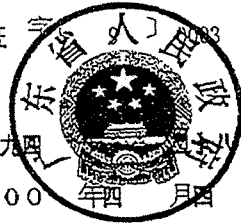
FOR ESTABLISHMENT OF ENTERPRISES WITH INVESTMENT OF TAIWAN, HONGKONG, MACAO AND OVERSEAS CHINESE IN THE PEOPLE'S REPUBLIC OF CHINA

批准号 外经 粤港外证 字 号

进出口企业代码 4400617803081

批准日期 一九九〇 年 月 日

发证日期 二〇〇〇 年 月 日



企业	中文	湛江雷州桉树资源发展有限公司		6
名称	英文	ZHANJIANG LEIZHOU EUCALYPT RESOURCES DEVELOPMENT CO. LTD		
企业地址	湛江市海滨五路159号			
企业类型	外资企业	经营年限	30年	
投资总额	200万美元			
注册资本	140万美元			
投资者名称(中、英文)		注册地	出资额	
香港嘉议木业集团有限公司 SINO-WOOD PARTNERS, LIMITED		香港	140万美元	
经营范围	营林、木材加工、木制品、林产化工产品生产与销售。			

Certificate of Approval for Establishment of Enterprises - 2000

Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China Approval No.: 外经贸粤港 外资证字(9)083号 Enterprise Code: 4400617803081 Approval Date: January 28, 1994 Issuing Date: April 4, 2000 Stamp (People's Government of Guangdong Province)	Name of Enterprise	Chinese	湛江雷州桉树资源发展有限公司		
		English	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd		
	Address	No.159, Haibin No.5 Road, Zhanjiang 湛江市海滨五路 159 号			
	Type of Business	Foreign-invested enterprise	Duration of Operation	30 years	
	Total Investment	USD 2 million			
	Registered Capital	USD 1.4 million			
	Name of Investors	Place of Registration	Contribution		
	Sino-Wood Partners, Limited 香港嘉汉木业集团有限公司	Hong Kong	USD 1.4 million		
	Business Scope	Planting forests, processing timber, producing and marketing wood products, forestry chemical products.			

This is Exhibit "I" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

企业法人营业执照

编号: N° 0189171

说明

1. 《企业法人营业执照》是企业取得企业法人资格和合法经营的凭证。
2. 《企业法人营业执照》分正本和副本，正本和副本具有同等法律效力。营业执照正本应放在企业法人住所或经营场所，企业法人可根据业务需要，向登记机关申请领取若干副本。
3. 营业执照不得伪造、涂改、出租、出借、转让，除登记机关外，其他任何单位和个人均不得扣留、收缴和吊销。
4. 企业应在核准登记的经营范围内从事经营活动。
5. 企业法人登记注册事项发生变化时，应向原登记机关申请变更登记。
6. 每年一月一日起至四月三十日，登记机关对企业法人进行年度检验。
7. 企业注销登记时，应交回营业执照正、副本，营业执照被登记机关吊销后即自行失效。

(副本)

注册号 企独粤湛总副字第000571号

名称 湛江雷州梭树资源发展有限公司

住所 湛江市人民大道中33号

法定代表人 陈德源

注册资本 140万美元(实收资本:0元)

企业类型 独资经营(港资)

经营范围 营林、木材加工、木制品、林产化工产品生产与销售。

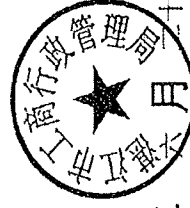
企业法人年检情况

--	--	--	--

分支机构

经营期限 自一九九四年一月二十九日至二〇〇四年一月二十八日
 成立日期 一九九四年一月二十九日

登记机关



二〇〇一年一月二十九日

Business License of Enterprise Legal Person (Copy)

Registration No.	企独粤湛总副字第 000571 号
Name	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd 湛江雷州桉树资源发展有限公司
Address	No.33, Renmin Avenue (M), Zhanjiang City 湛江市人民大道中 33 号
Legal Representative	Chan Tak Yuen 陈德源
Registered Capital	USD 1.4 million (paid-in capital: 0)
Business Type	Sole proprietorship (Hong Kong invested)
Business Scope	Forest plantation, processing timber, production and marketing wood products, forestry chemical products
Duration of Operation	January 29, 1994 to January 28, 2024
Date of Establishment	January 29, 1994
Annual Inspection Status	Annual inspection was conducted on June 29, 2001

Registration Organization: (Stamp) Zhanjiang Administration for Industry and Commerce

Date: June 29, 2001

This is Exhibit "J" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

湛江市对外贸易经济合作局文件

湛外经资管〔2003〕92号

关于湛江雷州桉树资源发展有限公司 提前终止的批复

湛江雷州桉树资源发展有限公司：

你公司的申请及董事会决议收悉。根据你公司的实际情况以及我国有关法规，同意你公司提前终止。请按有关规定公告，依法开展清算工作，并到有关部门办理注销手续。

此复



抄报：省外经贸厅

抄送：市工商局、国税局、地税局、湛江海关、出入境检验检疫局、外汇管理局、财政局、本局加工科

湛外经资管[2003] No.92

**Approval on Early Termination of
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd**

To: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd:

We have received the application and resolution of the Board of Directors of your company. According to the actual situation and relevant laws and regulations of China, we agree upon the early termination of your company. Please make the announcement according to relevant rules and carry out the liquidation process accordingly, and conduct the revoke procedures at the relevant departments.

Stamp (Zhanjiang Foreign Trade and Economic Cooperative Bureau)
November 4, 2003

Report to: Foreign Economic and Trade Department of Guangdong Province
cc: Municipal Administration for Industry & Commerce, State Taxation Bureau, Zhanjiang Customs, Import and Export Inspection and Quarantine Bureau, Foreign Exchange Management Bureau, Financial Bureau, Procedure Department of Zhanjiang Foreign Trade and Economic Cooperative Bureau

This is Exhibit "K" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



中华人民共和国外商投资企业
批准证书

外经贸 湛合资证字[19 94] 065 号



一九九四年二月二十八日

企业名称	中文	湛江雷州桉树资源发展有限公司	
	英文	ZHANJIANG LEIZHOU EUCALYPT RESOURCES DEVELOPMENT CO., LTD.	
企业地址	湛江市赤坎区康顺路31号康顺大厦		
企业类型	中外合资经营企业		
经营年限	30 年		
投资者名称 (中、英文) 和注册地 (国家或地区)	甲方: 国营雷州林业局 中国 乙方: 香港嘉汉木业集团有限公司 香港 SINO-WOOD PARTNERS, LIMITED		
投资总额	2500 万美元	注册资本	1000 万美元
投资者 出资额	甲方: 出资 470.00 万美元 出资比例 47.00% 乙方: 出资 530.00 万美元 出资比例 53.00%		
经营范围	营林、木材加工、木制品、林产化工产品生产与销售。产品50%外销。		

Copy

No. 0117909



Certificate of Approval for

Establishment of Foreign-Funded Enterprises in the
People's Republic of China

Wai Jing Mao Zhan He Zi Zheng Zi [1994] No. 065

[chopped: People's Government of Guangdong Province]

28 January 1994

Company name	Chinese	湛江雷州桉树资源发展有限公司	
	English	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.	
Company address		Kangshun Building, 31 Kangshun Road, Chikan District, Zhanjiang City	
Type of company		Chinese-foreign joint venture	
Duration of operation		30 years	
Names of investors (in both Chinese and English) and registered addresses (country or region)		Party A: State-Owned Leizhou Forestry Bureau China Party B: Sino-Wood Partners, Limited, Hong Kong	
Total investment		US\$25 million	Registered capital US\$10 million
Contribution made by the investors		Party A: contributed US\$4.7 million with a capital contribution ratio of 47.00% Party B: contributed US\$5.3 million with a capital contribution ratio of 53.00%	
Business scope		Silviculture, wood processing, production and sale of woodwork and forest chemical products; 50% of the products are for export.	

This is Exhibit "L" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

合资经营湛江雷州桉树资源发展有限公司 章 程

第一章 总 则

第一条：根据《中华人民共和国中外合资经营企业法》，中国广东国营雷州林业局（以下简称甲方）与香港嘉汉木业集团有限公司（以下简称乙方）于一九九三年十二月八日在中国湛江市签订的建立合资经营湛江雷州桉树资源发展有限公司（以下简称合营公司）合同，按照合同的内容制定本公司章程。

第二条：合营公司名称：湛江雷州桉树资源发展有限公司

合营公司法定地址：湛江市赤坎区康顺路31号康顺大厦

第三条：甲乙双方的名称、法定地址为：

甲方：国营雷州林业局

地址：广东省遂溪县城月镇

乙方：香港嘉汉木业集团有限公司

地址：香港湾仔港湾路30号新鸿基中心2408室

第四条：合营公司的组织形式为有限责任公司

第五条：合营公司为中国法人，受中国法律管辖和保护，其一切活动必须遵守中国的法律、法令、法规和有关条例规定。

第二章 宗旨、经营范围

第六条：合营公司宗旨为：

<1>、采用先进而适用的生产技术和科学的管理方法，充分和合理地开发桉树资源和其他林木资源，首期兴建大型中密度纤维板生产项目（以下简称MDF）；在创造经济效益的同时，利用甲方现有的先进的营林技术和合营公

司的资金优势，使林业资源得到有计划的改造更新，逐步扩大用材基地林建设，大幅度提高林木生长量；注意保护自然环境，在企业发展的同时，与自然保持协调、平衡、混然一体。

<2>、合营公司企业强化企管效能，以整体品质管理及ISO-9000为企管模式，努力提高产品质量和企业形象，并在质量和价格等方面具有国际市场竞争能力，出口创汇，提高经济效益，使双方都获得利益。

<3>、合营公司视用材林基地为绿色车间，力求不断发展、创新、勇于实践，在不断发展生产的同时，注重科研工作，建成集科研、营林和林产加工一体化的合资企业。

第七条：合营公司经营范围为：营林、木材加工、木制品、林产化工产品生产与经营。

第八条：合营公司生产规模为：年产5万立方米MDF，营造12万亩基地林，年产MDF用材8万M³。

随着生产经营的发展，生产规模可逐渐增加，产品向多种类、系列化方向发展。

第九条：合营公司的产品50%外销，50%内销。

第三章 投资总额和注册资本

第十条：合营公司的首期投资总额为2500万美元。

合营公司注册资本为1000万美元。

第十条：合营公司注册资本为1000万美元。

出资比例为：甲方认缴注册资本470万美元，占注册资本总额的47%，乙方认缴注册资本530万美元，占注册资本总额的53%。注册资本以外的资金仍由甲乙双方按各自出资比例投入。

第十一条：出资方式：甲乙双方包括注册资本在内的出资方式为：

甲方以5.3万亩林地使用权，作价462万美元，和其地上的林木资源，作价301万美元、林产工业总厂的资产估价128万美元及工厂生产和建设用

地152291 m²使用权作价273万美元四部分资产的总值和100万元人民币现金折11万美元，合共1175万美元作为资金投入。乙方以现金出资1325万美元。19

甲乙双方的出资(或作为出资的实物)，在合营公司营业执照签发之日起，二十四个月内投入完毕，其中第一期在头三个月内投入15%以上。

第十二条：双方出资额：

(1)、甲方：首期按出资比例以实物资产价值共1175万美元(以认可会计师事务所的核定数为准)作资金投入转入合营公司中。在乙方投入建设MDF项目不足部分资金的同时，甲方同期按出资比例以部分林地使用权及其地上的林木资源作价投入。

(2)、乙方：首期按出资比例投入现金1325万美元，主要用于MDF项目建设。建设MDF项目所需的资金，除乙方首期投入的1325万美元外，不足部分仍由乙方按项目建设需要以现金分期投入；甲方按出资比例同期以林地使用权及其地上的林木资源作价投入。

第十三条：出资时间：

双方首期的出资(或作为出资的实物)在合营公司营业执照签发及认可会计师事务所签发之甲方投资的资产核算报告之日起一个月内，乙方投入现金100万美元，甲方同时投入人民币100万元，作为合营公司营运及筹建MDF项目之用。MDF项目建设的其余资金按MDF项目可行性研究报告的资金投入计划分期投入。

第十四条：甲乙双方应按合同规定的期限缴清各自出资额(或作为出资的实物)。

第十五条：甲乙双方缴付出出资额后，合营公司聘请在中国注册的会计师事务所验资，出具验资报告后，由合营公司据以发给出资证明书。出资证明书主要内容是：合营公司名称、成立日期、合资者名称及出资额、出资日期、发给出资证明书日期等。

第十六条：合营期内，合营公司不得减少注册资本数额

第十七条：任何一方转让其出资额，不论全部或部分都须经另一方同意，一方转让时，另一方有优先购买权。

合营公司注册资本的增加、转让，应由董事会一致通过后，并报原审批机构批准，向原登记机构办理变更登记手续。

20

A

164

第四章 董 事 会

第十八条：合营公司设董事会，董事会是合营公司的最高权力机构。

第十九条：董事会决定合营公司的一切重大事宜，其职权主要如下：

决定和批准总经理的重要报告（如生产规划、年度营业报告、资金、借款等）；

批准年度财务报告、收支预算、年度利润分配方案；

制定公司的重要规章制度；

决定聘用总经理、总工程师、总会计师、审计师等高级职员；

负责合营公司终止和期满时的清算工作；

其他应由董事会决定的重大事宜。

第二十条：董事会由七名董事组成，其中甲方委派三名，乙方委派四名，董事任期为3年，经委派可以连任。

第二十一条：董事会设董事长一名，由乙方委派，副董事长一名，由甲方委派。

第二十二条：甲、乙方在委派和更换董事人选时，应书面通知董事会。

第二十三条：董事会会议每年召开一次。经三分之一以上的董事提议，可以召开董事会临时会议。

第二十四条：董事会会议原则上在合营公司所在地举行。

第二十五条：董事会会议由董事长召集并主持，董事长缺席时由副董事长召集并主持。

第二十六条：董事长应在董事会开会前不少于两个星期以书面通知各董事，写明会议内容、时间和地点。

出席董事会会议的法定人数必须为全体董事的三分之二以上，否则，其通过的决议无效。

第二十七条：董事因故不能出席董事会议时，可以书面委托代理人出席董事会。如届时未出席也未委托他人出席，则作为弃权。

第二十八条：出席董事会会议，须作详细的书面记录，并由全体出席会议的董事签字；代理人出席时由代理人签字。记录文字使用中文，该记录由公司存档。

第三十条：下列事项须经出席董事会会议的董事一致通过方可作出决议。

1. 合营公司章程的修改；
2. 合营公司的终止、解散；
3. 合营公司注册资本的增加、转让；
4. 合营公司重大的经济活动如建设新项目，与其他经济组织的合并等。

第三十一条：其他事项采取过半数通过作出决议。

第五章 经营管理机构

第三十二条：合营公司设经营管理机构，下设若干管理部门。

第三十三条：合营公司设总经理一人，由甲方推荐，副总经理二人，由双方推荐。正副总经理由董事会聘请。

第三十四条：总经理直接对董事会负责，执行董事会的各项决议，组织领导合营公司的日常生产、技术和经营管理工作。副总经理协助总经理工作，当总经理不在时，代理行使总经理的职责。

第三十五条：总经理、副总经理的任期为3年。经董事会聘请，可以连任。

第三十六条：董事长或副董事长、董事经董事会聘请，可兼任合营公司总经理、副总经理及其他高级职员。

第三十七条：总经理、副总经理不得兼任其他经济组织的总经理或副总经理，不得参与其他经济组织对本合营公司的商业竞争行为。

第三十八条：合营公司设总工程师、总会计师和审计师各一名，由董事

会聘请。

第三十九条：总工程师、总会计师、审计师由总经理领导。

22

A

第四十条：总经理、副总经理、总工程师、总会计师、审计师和其他高级职员请求辞职时，应提前向董事会提出书面报告。

166

以上人员如有营私舞弊或严重失职行为的，经董事会决议，可随时解聘。如触犯刑律的，要依法追究刑事责任。

第六章 财务会计

第四十一条：合营公司的财务会计按照中华人民共和国财政部制定的有关财务会计制度规定办理。

第四十二条：合营公司会计年度采用日历年制，自一月一日起至十二月三十一日止为一个会计年度。

第四十三条：合营公司的一切凭证、帐簿、报表、用中文书写。

第四十四条：合营公司采用人民币为记帐本位币。人民币同其他货币折算，按中华人民共和国国家外汇管理局公布的汇价计算。

第四十五条：合营公司在中国银行或其他银行开立人民币及外币帐户。

第四十六条：合营公司采用国际通用的权责发生制和借贷记帐法记帐。

第四十七条：合营公司财务会计帐册上应记载如下内容：

1. 合营公司所有的现金收入、支出数量；
2. 合营公司所有的物资出售及购入情况；
3. 合营公司注册资本及负债情况；
4. 合营公司注册资本的缴纳时间、增加及转让情况。

第四十八条：合营公司财务部门应在每一个会计年度头二月编制上一个会计年度的资产负债表和损益计算书，经审计师审核签字后，提交董事会会议通过。

第四十九条：合营公司各方有权自费聘请审计师查阅合营公司帐簿，查

26

第七章 利润分配

第五十条：合营公司按照《中华人民共和国外商投资企业和外国企业所得税法》的规定，由董事会决定其固定资产的折旧年限。

第五十一条：合营公司的一切外汇事宜，按照《中华人民共和国外汇管理暂行条例》和有关规定办理。

第五十二条：合营公司从缴纳所得税后利润中提取储备基金、企业发展基金和职工奖励及福利基金。提取的比例由董事会根据当年的经营情况确定。

第五十三条：合营公司依法缴纳所得税和提取各项基金后的利润，按照甲方占47%，乙方占53%的比例进行分配。

第五十四条合营公司每年分配利润一次。于次年头二个月内公布上一会计年度利润分配方案及各应分的利润额。

第八章 职工

第五十六条：合营公司职工的招收、招聘、辞退、辞职、工资、福利、劳动保护、劳动纪律等事宜，按照《中华人民共和国中外合资经营劳动管理规定》及其实施办法办理。

第五十七条：合营公司所需要的职工，优先在甲方在职人员中公开招聘，或由当地劳动部门推荐或经劳动部门同意后，由合营公司公开招聘，择优录用。

第五十八条：合营公司招收的员工，一律实行合同制，由合营公司与员工签订劳动合同。

第五十九条：合营公司有权对违反合营公司的规章制度和劳动纪律的职

工，给予警告、记过、降薪的处分，情节严重的，可予以开除。对开除处分的职工须报甲方或当地劳动部门备案。

24 168

第六十条：职工的工资待遇，参照中国有关规定，根据合营公司具体情况，由董事会确定，并在劳动合同中具体规定。

合营公司随着生产的发展，职工业务能力和技术水平的提高，逐年增加职工的工资。

第六十一条：职工的福利、奖金、劳动保护，安全生产和保险等事宜，合营公司将分别在各项制度中加以规定，确保职工在正常条件下从事各项生产和工作。

第九章 工会组织

第六十二条：合营公司职工有权按照《中华人民共和国工会法》的规定，建立工会组织，开展工会活动。

第六十三条：合营公司每月按合营公司职工实际工资总额的百分之二拨交工会经费。合营公司工会按照中华全国总工会制定的《工会经费管理办法》使用工会经费。

第十章 期限、终止、清算

第六十四条：合营期限为30年。自营业执照签发之日起计算。

第六十五条：甲、乙方如一致同意延长合同期限，经董事会会议作出决议，应在合营期满前六个月向原审批机构提交书面申请，经批准后方能延长，并向原登记机构办理变更登记手续。

第六十六条：甲、乙方如一致认为终止合同符合各方最大利益时，可提前终止合同。

合营公司提前终止，需经董事会召开全体会议作出决定，并报原审批机

构批准。

第六十七条： 发生下情况之一时，甲、乙方任何一方有权依法终止合同。

- 1、合同期限届满，合资一方不同意续办时；
- 2、公司发生严重亏损，无力继续经营；
- 3、合资一方不履行合同规定的义务致使企业无法继续经营；
- 4、因自然灾害、战争等不可抗力遭受严重损失，无法继续经营；
- 5、企业未达到经营目的，同时又无发展前途。

第六十八条： 合营期满或提前终止合同时，董事会应提出清算程序、原则和清算委员会人选，组成清算委员会，对合营公司财产进行清算。原甲方作为出资提供的场地使用权、林地使用权不属清算范围，合营期满或提前终止合同时，无偿归甲方所有。

第六十九条： 清算委员会任务是对合营公司的财产、债权、债务进行全面清查，编制资产负债表和财产目录，制定清算方案，提请董事会通过执行。

第七十条： 清算期间，清算委员会代表公司起诉或应诉。

第七十一条： 清算费用和清算委员成员的酬劳从合营公司现存财产中先支出。

第七十二条： 清算委员会对合营公司的债务全部清偿后，其剩余的财产按甲乙双方在注册资本中的实际出资比例进行分配。

第七十三条： 清算结束后，合营公司应向审批机构提出报告，并向原登记机构办理注销登记手续，缴回营业执照，同时对外公布。

第七十四条： 合营公司结业后，其各种帐册，由甲方保存。

第十一章 规章制度

第七十五条： 合营公司董事会制定的规章制度有：

- 1、经营管理制度，包括所属各个管理部门的职权与工作程序；
- 2、职工守则；

- 3、职工考勤、升级与奖惩制度；
- 4、职工福利制度；
- 5、财务制度；
- 6、公司解散时的清算程序；
- 7、其他必要的规章制度。

26

第十二章 附 则

第七十三条： 本章程的修改，必须经董事会会议一致通过决议，并报原审批机构批准。

第七十四条： 本章程用中文书写。

第七十五条： 本章程须经中华人民共和国对外经济贸易部(或其委托的审批机构)批准才能生效。修改时同。

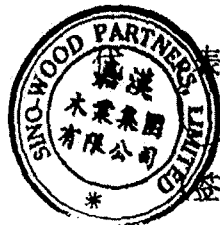
第七十六条： 本章程于一九九三年十二月八日由甲、乙双方的授权代表在中国广东省湛江市签字。

甲
代



(签字、盖章)

乙 方：



(签字、盖章)

Articles of Association
of
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.,
an Equity Joint Venture

Chapter 1 General Provisions

Article 1: These Articles of Association are formulated pursuant to *Law of the People's Republic of China on Chinese-Foreign Joint Ventures* and Contract for the Establishment of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. ("the Company"), an Equity Joint Venture, entered into by Guangdong State-Owned Leizhou Forestry Bureau ("Party A") and Sino-Wood Partners, Limited ("Party B") on 8 December 1993 in Zhanjiang, China.

Article 2: Name of the Joint Venture Company: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Legal address of the Joint Venture Company: Kangshun Building, 31
Kangshun Road, Chikan District, Zhanjiang

Article 3: Names and legal addresses of Party A and Party B:

Party A: State-Owned Leizhou Forestry Bureau

Address: Chengyue Town, Suixi County, Guangdong Province

Party B: Sino-Wood Partners, Limited

Address: Room 2408, Sun Hung Kai Centre, 30 Harbour Road, Wanchai,
Hong Kong

Article 4: The Joint Venture Company is a limited-liability company.

Article 5: The Joint Venture Company is a PRC legal person which shall be governed and protected by PRC laws and all its activities shall comply with the PRC laws, statutes and relevant regulations.

Chapter 2 Objective and Scope of Business

Article 6: The objectives of the Joint Venture Company are:

(1). Establishing large-scale medium density fibreboard production project (MDF) in the first phase by fully and reasonably developing eucalypts and other trees with advanced and applicable production technology and scientific management; while creating economic benefits, trying to upgrade forest resources in a planned manner, gradually expand construction of forests in timber base and substantially improve the growth of forest trees with Party A's existing advanced silviculture technology and the Joint Venture Company's capital strength; paying attention to environmental protection and ensuring that the Joint Venture Company is developing in harmony with nature.

(2). Strengthening the management effectiveness of the Joint Venture Company, taking total quality management (TQM) and ISO-9000 as the Joint Venture Company's management model, striving to improve product quality and corporate image, becoming competitive in the international market in terms of quality and price, earning foreign exchange and increasing profitability, so as to benefit both Parties.

(3). The Joint Venture Company regards the timber base as a green workshop, seeks constant development and innovation, is bold in practice, attaches equal importance to production and scientific research, and integrates scientific research, silviculture and forest products processing.

Article 7: Business scope of the Joint Venture Company: Silviculture, wood processing, production and sale of woodwork and forest chemical products.

Article 8: Production scale of the Joint Venture Company: Annual output of 50,000 m³ MDF and 80,000 m³ MDF timber, and 120,000 mu forest base.

Following the development of the Joint Venture Company, it may gradually expand the production scale and diversify and launch different series of products.

Article 9: The products of the Joint Venture Company are sold in equal proportion on domestic and overseas markets.

Chapter 3 Total Investment and Registered Capital

Article 10: The initial total investment of the Joint Venture Company is US\$25 million.

The registered capital of the Joint Venture Company is US\$10 million.

Article 10: The registered capital of the Joint Venture Company is US\$10 million.

The ratio of capital contribution is: Party A shall contribute US\$4.7 million, accounting for 47% of the total registered capital; Party B shall contribute US\$5.3 million, accounting for 53% of the total registered capital. Funds other than the registered capital shall be invested by Party A and Party B in proportion to their respective contributions.

Article 11: Form of capital contribution: Forms of capital contribution including registered capital contribution made by Party A and Party B are:

Party A shall contribute a total of US\$11.75 million, consisting of the total value of the right to use 53,000 mu woodland valued at US\$4.62 million, the forest resources on the said land valued at US\$3.01 million, assets of the forest product industry factory valued at US\$1.28 million and the right to use the 152,291 m² land for factory production and construction valued at US\$2.73 million as well as RMB1 million cash (US\$110,000). Party B shall contribute US\$13.25 million in cash.

Party A and Party B shall complete their capital contributions (or contribution in kind) within 24 months after issuance of the business licence, with more than 15% to be paid up in the first three months for the first phase.

Article 12: Respective contributions made by the Parties:

(1). Party A shall invest a total of US\$11.75 million (the amount shall be subject to verification by an authorised accounting firm) in kind in the Joint Venture Company in the first phase in accordance with its ratio of capital contribution. As Party B makes up the funds for MDF project, Party A shall invest part of its right to use the woodland and the forest resources on it, which are valued as agreed, in accordance with its ratio of capital contribution.

(2). Party B shall invest US\$13.25 million in cash in the MDF project in

accordance with its ratio of capital contribution in the first phase. In regard to the funds needed for MDF project, besides the US\$13.25 million invested by Party B in the first phase, the insufficiencies shall be made up by Party B with cash by instalments based on actual needs. Party A shall invest its right to use woodland and the forest resources on it, which are valued as agreed, in accordance with its ratio of capital contribution in the same phase.

Article 13: Schedule of capital contribution

As for the capital contribution (or contribution in kind) in the first phase, Party B shall invest US\$1.00 million in cash and Party A shall invest RMB1.00 million for the operation of the Joint Venture Company and MDF project planning within one month from the date of issuance of the business licence of the Joint Venture Company and issuance of the asset accounting report on Party A's investment by an authorised accounting firm. The remaining funds needed for MDF project shall be invested by instalments in accordance with the investment plan based on the feasibility study report of MDF project.

Article 14: Parties A and B shall pay up their respective capital contribution (or contribution in kind) in full according to the time limit specified in the Contract.

Article 15: After Parties A and B have paid up their capital contribution in full, the Joint Venture Company shall retain a certified public accountant registered in China to verify the capital and issue a capital verification report, based on which the Joint Venture Company shall issue a capital contribution certificate, whose main contents include: Name of the Joint Venture Company, date of establishment, names of investors and their amount of capital contribution, date of capital contribution, and date of issuance of capital contribution certificate, etc.

Article 16: During the term of the joint venture, the Joint Venture Company shall not reduce the amount of its registered capital.

Article 17: If a party transfers its capital contribution, whether in part of in whole, it shall be subject to the consent of the other party. When a party makes such a transfer, the other party shall have the pre-emptive right of purchase.

Increase or transfer of registered capital of the Joint Venture Company shall be subject to the unanimous adoption of the Board of Directors and approval by the

original examination and approval authority, and the Joint Venture Company shall process the formalities of registration of change with the original registration authority.

Chapter 4 Board of Directors

Article 18: The Joint Venture Company shall have a Board of Directors which shall be the highest authority of the Joint Venture Company.

Article 19: The Board of Directors makes decisions on all major issues of the Joint Venture Company, and its duties and functions are as follows:

- decide on and approve important reports submitted by the general manager (such as production planning, annual business report, capital, borrowings, etc.);
- approve the annual financial report, income and expense budget, and annual profit distribution scheme;
- formulate important regulations and systems of the Company;
- decide the appointment of senior officers such as general manager, chief engineer, chief accountant, auditor, etc.
- take charge of the liquidation work of the Joint Venture Company upon its termination and expiration;
- other important matters which shall be decided by the Board of Directors.

Article 20: The Board of Directors shall be composed of seven directors. Three of the directors shall be appointed by Party A and four of the directors by Party B. The term of office of the directors shall be 3 years and is renewable upon re-appointment.

Article 21: The Board of Directors shall have a chairman appointed by Party B and a vice-chairman appointed by Party A.

Article 22: When appointing or replacing candidates of directors, Party A and Party B shall inform the Board of Directors in writing.

Article 23: Meetings of the Board of Directors shall be held once a year. Upon

the proposal of more than one-third of the directors. interim meetings may be convened.

Article 24: In principle, meetings of the Board of Directors shall be held in the domicile of the Joint Venture Company.

Article 25: Meetings of the Board of Directors shall be called and presided over by the chairman. During the absence of the chairman, the meetings shall be called and presided over by the vice-chairman.

Article 26: The chairman shall inform all the directors in writing of the agenda, time, and venue of the board meeting at least 2 weeks prior to the meeting.

A quorum of the board meeting shall be constituted when over two-thirds of all the directors are present at the meeting. Otherwise, the resolutions passed shall be null and void.

Article 27: Should a director be unable to attend a Board meeting for any reason, he may authorize in writing a proxy to attend the meeting. If a director does not attend a Board meeting and fails to appoint a proxy to attend on his behalf, he shall be deemed to have forfeited his rights.

Article 28: Detailed minutes shall be recorded in writing for Board meetings and shall be signed by all the attending directors; and if the meeting is attended by a proxy, the minutes shall be signed by the proxy. The minutes shall be recorded in Chinese and shall be kept by the Company.

Article 30: Resolutions on the following issues shall only be made subject to the unanimous adoption by the directors attending a Board Meeting:

1. Amendments to the Articles of Association of the Joint Venture Company;
2. Termination and dissolution of the Joint Venture Company;
3. Increase and transfer of the registered capital of the Joint Venture Company;
4. Important economic activities of the Joint Venture Company such as constructing a new project and merger with other economic entities.

Article 31 Resolutions on other matters may be adopted by simple majority.

Chapter 5 Business Management Organisation

Article 32: The Joint Venture Company shall set up a business management organisation which has several management departments thereunder.

Article 33: The Joint Venture Company shall have a general manager who is nominated by Party A and two deputy general managers who are nominated by both Parties. Both the general manager and two deputy general managers shall be appointed by the Board of Directors.

Article 34: The general manager shall be accountable to the Board of Directors directly and execute the various resolutions of the Board of Directors, organise and lead the day-to-day production, technical and operation management work of the Joint Venture Company. The deputy general managers shall assist the general manager in his duties. During the absence of the general manager, the deputy general managers shall exercise the general manager's duties on his behalf.

Article 35: The term of office of the general manager and deputy general managers shall be 3 years and is renewable upon re-appointment.

Article 36: Upon appointment by the Board of Directors, the chairman and vice-chairman of the board may concurrently serve as the general manager, deputy general managers, and other senior officers of the Joint Venture Company.

Article 37: The general manager and deputy general managers shall not serve concurrently as general manager or deputy general manager of other economic entities and shall not participate in other economic entities' acts of commercial competition against the Joint Venture Company.

Article 38: The Joint Venture Company shall have a chief engineer, chief accountant, and auditor, who shall be appointed by the Board of Directors.

Article 39: The chief engineer, chief accountant, and auditor shall be under the leadership of the general manager.

Article 40: When the general manager, deputy general managers, chief engineer, chief accountant, auditor, and other senior officers tender resignations, a written report shall be submitted to the Board of Directors in advance.

Where any of the aforesaid individuals conducts graft or commits serious dereliction of duty, they may be dismissed at any time upon resolution of the Board of Directors. In case of violation of the criminal law, they shall be investigated for criminal responsibility according to law.

Chapter 6 Finance and Accounting

Article 41: The Joint Venture Company's financial and accounting system shall be handled in accordance with the provisions of the relevant financial and accounting system formulated by the Ministry of Finance of the People's Republic of China.

Article 42: The accounting year of the Company shall follow the Gregorian calendar year system, i.e. an accounting year starts from 1 January and ends on 31 December.

Article 43: All vouchers, accounting books and statements of the Joint Venture Company shall be written in Chinese.

Article 44: The Joint Venture Company shall use Renminbi as the currency for accounting entries. Conversion between Renminbi and other currencies shall be based on the exchange rate announced by State Administration of Foreign Exchange of the People's Republic of China.

Article 45: The Joint Venture Company shall open a Renminbi account and foreign currency account with the Bank of China or any other bank.

Article 46: The Joint Venture Company shall adopt the internationally and generally accepted accrual basis and debit/credit bookkeeping method.

Article 47: The financial and accounting books of the Joint Venture Company shall record the following contents:

1. All cash revenues and expenses of the Joint Venture Company;
2. All material purchases and sales of the Joint Venture Company;
3. The Joint Venture Company's registered capital and liabilities;
4. The date of contribution, increase and transfer of the registered capital of the Joint Venture Company;

Article 48: The Finance Department of the Joint Venture Company shall

prepare the balance sheet and income statement of the preceding accounting year during the first two months of every accounting year, which shall be submitted to the Board of Directors for approval in the board meeting.

Article 49: Both parties to the Joint Venture Company shall have the right to, at their own expense, hire auditors to inspect the accounting books of the Joint Venture Company. The Joint Venture Company shall provide convenience at the time of inspection.

Chapter 7 Profit Distribution

Article 50: The Joint Venture Company shall comply with the provisions of the *Profit Tax Law of the People's Republic of China for Foreign-Funded Enterprises and Foreign Enterprises* and let the Board of Directors decide the depreciation term of its fixed assets.

Article 51: The handling of all foreign exchange matters of the Joint Venture Company shall be handled in accordance with the *Foreign Exchange Control Regulations of the People's Republic of China* and its relevant stipulations.

Article 52: The Joint Venture Company shall withdraw from the after-tax profits to provide funding for the reserve fund, enterprise development fund, staff bonus and welfare fund. The withdrawal ratio shall be determined by the Board of Directors according to the business conditions of the prevailing year.

Article 53: After the Joint Venture Company has paid the profit tax according to law and withdrawn the various funds, the remaining profit shall be distributed according to the ratio of: 47% for Party A and 53% for Party B.

Article 54: The Joint Venture Company shall distribute profits once a year. It shall announce the profit distribution scheme for the previous accounting year and the profit amount distributable to the Parties within the first two months of the following year.

Chapter 8 Employees

Article 56: Recruitment, employment, dismissal, resignation, wages, welfares, labour protection, labour discipline, etc. of the employees of the Joint Venture Company shall comply with the *Labour Management Provisions for Chinese-Foreign Equity Joint Ventures of the People's Republic of China* and its implementation measures.

Article 57: Employees required for the Joint Venture Company may be recruited openly first among the existing staff members of Party A. Alternatively, the same may be recommended by the local labour department or, subject to the consent of the labour department, recruited openly by the Joint Venture Company by selecting the best and qualified candidates.

Article 58: Employees recruited by the Joint Venture Company shall all follow the contract system in which the Joint Venture Company shall sign employment contracts with the employees.

Article 59: The Joint Venture Company shall have the right to impose disciplinary actions on employees who have violated the regulations and labour disciplines of the Joint Venture Company, giving them warnings, recording their demerits, and reducing their salaries. Such employees may be dismissed in case of serious offences. Dismissal of employees shall be reported to Party A or the local labour department for record.

Article 60: The wages and remuneration of employees shall be decided by the Board of Directors with reference to the relevant stipulations of the People's Republic of China and in consideration of the relevant conditions of the Joint Venture Company, and shall be specified in the employment contract accordingly.

Following the development of production and operation of the Joint Venture Company and the enhancement of the employees' business abilities and technical level, the Joint Venture Company shall increase the employees' wages on a yearly basis.

Article 61: Issues such as employees' welfare, bonus, labour protection,

occupational safety, and insurance shall be stipulated respectively in the various systems of the Joint Venture Company so as to ensure that the employees are engaged in production and working under normal conditions.

Chapter 9 Trade Union Organization

Article 62: Employees of the Joint Venture Company shall have the right to set up a trade union organization and launch trade union activities as stipulated in the *Laws on Trade Unions of the People's Republic of China*.

Article 63: The Joint Venture Company shall appropriate a monthly amount equivalent to 2% of the actual total wages of the employees for the expenditure for the trade union. The trade union of the Joint Venture Company shall make use of the said funding according to the *Measures for the Administration of Trade Union Expenditures* formulated by the China National Trade Union Federation.

Chapter 10 Term, Termination, and Liquidation

Article 64: The joint venture term shall be 30 years, commencing from the date of issuance of the Business License.

Article 65: If Party A and Party B both agree to extend the term of operation, subject to the decision of the Board of Directors by resolution, the term of the Joint Venture Company may be extended by submitting an application to the original examination and approval authority within six months prior to the expiry of the joint venture term. The extension shall be subject to the said approval and the formalities for the registration of alteration shall be completed with the original examination and approval authority.

Article 66: In the event that Party A and Party B unanimously believe that it is in the best interests of both Parties to terminate this Contract, this Contract may be terminated early.

The early termination of the Joint Venture Company shall be subject to the

decision of all the directors in a meeting of the Board of Directors. and shall be reported to the original examination and approval authority for approval.

Article 67: If any of the following circumstances occurs, either Party A or Party B shall have the right to terminate this Contract pursuant to law:

1. The term of this Contract expires and either of the joint venture parties does not agree to continue the operation;
2. The Company has incurred serious losses and is unable to continue operation;
3. Either party to the joint venture fails to perform the obligations stipulated in this Contract, making it impossible for the enterprise to continue operation;
4. Heavy losses have been suffered as a result of natural calamities, wars or other force majeure, making it impossible to continue operation;
5. The enterprise fails to reach its business objectives and there are no prospects for development.

Article 68: When the term of the joint venture expires or is terminated prematurely, the board of directors shall propose the procedures and principles of liquidation and the candidates of the liquidation committee, and form a liquidation committee to liquidate the property of the Joint Venture Company. The land use right and the right to use the forest land concerned originally contributed by Party A as investment shall be beyond the scope of liquidation, and shall be turned over to Party A without consideration upon expiry or premature termination of the term of the joint venture.

Article 69: The tasks of the liquidation committee are to take comprehensive inventory of all property, claims, and debts of the Joint Venture Company, prepare a balance sheet and a catalogue of property, and formulate a liquidation plan for submission to the board of directors for adoption and implementation.

Article 70: During the liquidation, the liquidation committee shall sue and shall be sued on behalf of the Company.

Article 71: The costs of liquidation and the remuneration of the liquidation committee members shall be paid out of the existing property of the Joint Venture Company.

Article 72: After full settlement of the debts of the Joint Venture Company by the liquidation committee, the remaining property shall be distributed between Party A and Party B in proportion to their respective actual contributions to the registered capital.

Article 73: Upon completion of the liquidation, the Joint Venture Company shall submit a report to the examination and approval authority, go through the procedure for cancellation of registration with the original examination and approval authority, surrender its business license, and also make a public announcement thereof.

Article 74: After closure of the Joint Venture Company, all of its accounting books shall be retained by Party A.

Chapter 11 Rules and Regulations

Article 75: The rules and regulations formulated by the Joint Venture Company include the following:

1. Operation and management system, which includes the duties, power and work procedures of the various management departments thereunder;
2. Rules for the employees;
3. Employees' punctuality, attendance, promotion, incentive and penalty systems;
4. Employees' welfare system;
5. Financial system;
6. Liquidation procedures upon the dissolution of the Company;
7. Other required rules and regulations.

Chapter 12 Supplementary Provisions

Article 73: Amendments to these Articles of Association shall be subject to the unanimous adoption by the Board of Directors by way of resolution and submitted to the original examination and approval authority for approval.

Article 74: These Articles of Association shall be written in the Chinese language.

Article 75: These Articles of Association shall take effect only after approval by the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry). The same approval is required in case of amendments.

Article 76: These Articles of Association were signed by the legal representatives of Party A and Party B on 8 December 1993 in Zhangjiang, Guangdong Province, China.

Party A:

**[chopped: State-Owned Leizhou
Forestry Bureau China]**

Representative: *[signed]*

(Signature, Chop)

Party B:

**[chopped: Sino-Wood Partners,
Limited]**

Representative: *[signed]*

(Signature, Chop)

This is Exhibit "M" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

湛江市对外经济贸易委员会文件

湛外经贸资批字 [1999] 88号

关于初步同意湛江雷州桉树资源发展有限公司 调减投资总额和注册资本的复函

湛江雷州桉树资源发展有限公司：

你公司的申请及董事会决议收悉。鉴于你公司的实际情况，经研究，我委初步同意你公司总投资额由2500万美元减至200万美元，注册资本由1000万美元减至140万美元。请你公司在收到本文之日起10日内通知债权人，并于30日内在省级以上报纸上至少公告3次。之后，再将你公司的公告证明和债务清偿或债务担保情况有关资料提交我委，我委再决定批准或不批准。

特此函复



一九九九年十二月二十八日

抄送：本委外资管理科

Document of Zhanjiang Committee of Foreign Trade and Economic Cooperation

Zhan Wai Jing Mao Zi Pi Zi [1999] No. 88

Reply concerning preliminary approval on reduction of total investment and registered capital of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.:

We have received your application and resolutions of board of directors. Given the actual conditions of your company and after deliberation, we preliminarily allow your company to reduce the total investment from US\$25 million to US\$2.00 million and reduce the registered capital from US\$10 million to US\$1.40 million. After you receive this document, please inform the creditor within 10 days and make public announcements on newspapers above provincial level for at least three times within 30 days. Thereafter, we shall decide whether to approve or not after receiving your company's announcement certificate and relevant data on debt paying or debt assurance.

Best regards

[chopped: Zhanjiang Committee of Foreign
Trade and Economic Cooperation]

28 December 1999

Cc: Foreign Capital Management Department of the Committee

This is Exhibit "N" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

中华人民共和国

企业法人

营业执照 (副本)

注册号：企独粤港总副字第000571号

今后每年1月1日至4月30日年检
请按时参加，不再另行通知。

该企业经核准登记注册，具有
法人资格，准予开业。

编号：N° 808802

企业名称（中文）：湛江雷州枝树资源发展有限公司
(外文)

住所：湛江市海滨五路159号

企业类别：独资经营（港资）

经营范围：营林、木材加工、木制品、纸产化工产品生产与销售。

注册资本：140万美元

董事长：陈德源

副董事长

总经理：潘家杰

副总经理：陈惠玲

分支机构

经营期限：自一九九四年一月二十九日至二〇〇四年一月二十八日

执照正本有效期限：自二〇〇〇年四月十二日至二〇〇四年一月二十八日

中华人民共和国
国家工商行政管理局

局长 王众孚



二〇〇〇年四月十一日

本副本有效期至：二〇〇二年四月十一日

Business Licence of
Enterprise Legal Person
of the People's Republic of China
(Copy)

Registration No.: Qi Du Yue Zhan Zong Fu Zi No. 000571

This Business License shall be subject to annual inspection
from 1 January to 30 April each year without further notice.

The enterprise shall have the qualification of a
legal person and be allowed to operate business upon
approval and registration.

No. 808802

Company name	(Chinese) 湛江雷州桉树资源发展有限公司 (English) Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.
Address	159 Fifth Haidian Road, Zhanjiang
Type of business	Solely funded (with Hong Kong investment)
Business scope	Silviculture, wood processing, production and sale of woodwork and forest chemical products
Registered capital	US\$1.40 million
Chairman	Chen Deyuan
Vice Chairman	
General Manager	Pan Jiajie
Deputy General Manager	Chen Huiling
Branches	

Operation term: From 29 January 1994 to 28 January 2024

Validity period of the original business licence: From 12 April 2000 to 28
January 2024

Wang Zhongfu, Director of State Administration for
Industry & Commerce of the People's Republic of China

[chopped: State Administration for Industry &
Commerce of the People's Republic of China]
12 April 2000

This Copy shall be valid until 11 April 2001

This is Exhibit "O" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

雷州資源發展有限公司董事會決議

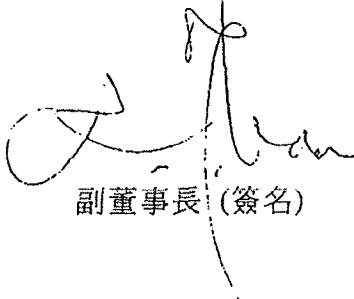
一九九八年六月三日

8

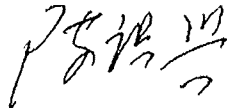
鑑於目前的實際情況，全體董事一致同意，國營雷州林業局退出雷州資源發展有限公司。同時全體董事一致同意下列各項決議：

1. 把雷州林業局原已折價投入“雷州資源發展有限公司”的資產全部退回給雷州林業局。合資公司由香港嘉漢木業有限公司獨資經營或另找合作伙伴。
2. 雷州林業局所欠合資公司的款項，由雷州林業局作出還款計劃還給合資公司。
3. 中方參予合資公司的工作人員，原則上都回原單位工作。
4. 合資公司工作人員的工薪，計算到一九九八年五月底止。
5. 本決議報經原審批機構批准後合資公司的債權、債務及公司開辦以來的一切費用與退出單位雷州林業局無關，由合資公司負責。

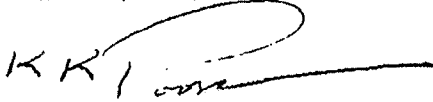
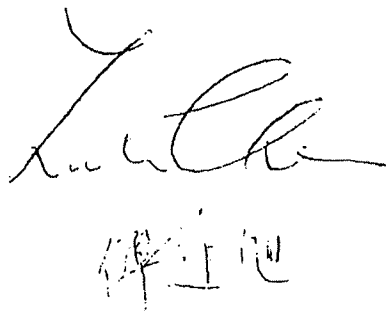
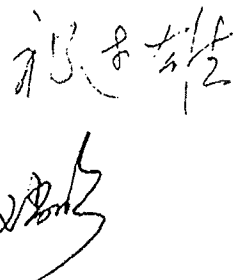
董事長 (簽名)



副董事長 (簽名)



董事 (簽名)

**Resolutions of Board of Directors of
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.**

3 June 1998

Given the actual current situation, all directors unanimously agree on State-Owned Leizhou Forestry Bureau's withdrawal from Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. Meanwhile, all directors unanimously agree on the following resolutions:

1. Returning to Leizhou Forestry Bureau the assets (converted into an agreed monetary sum) invested in "Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd." by Leizhou Forestry Bureau. The Joint Venture Company may be solely operated by Sino-Wood Partners, Limited or operated with another partner.
2. Leizhou Forestry Bureau shall return the monies it owes the Joint Venture Company to the Joint Venture Company in a planned manner.
3. Workers of the Chinese party who works at the Joint Venture Company shall in principle go back to their original posts.
4. Salaries of workers in the Joint Venture Company shall not be calculated after the end of May 1998.
5. After these resolutions are approved by the original examination and approval authority, the creditor's rights, debts of the Joint Venture Company and all expenses incurred after the company's establishment shall have nothing to do with Leizhou Forestry Bureau (which has withdrawn from the joint venture) and shall be borne by the Joint Venture Company.

Signature of Chairman
[signed]

Signature of Vice-Chairman
[signed]

Signatures of directors
[5 signatures]

This is Exhibit "P" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

粤西会验字[1995]185号

验资报告

湛江雷州桉树资源发展有限公司：

粤西会计师事务所接受贵单位的委托，根据《中华人民共和国合资经营企业法》、《中华人民共和国外商投资企业财务管理规定》等规定，以及湛江市对外经济贸易委员会湛经贸批字[1994]021号文关于合资经营“湛江雷州桉树资源发展有限公司”章程第二章第十、十一条，并按照《注册会计师验资规则(试行)》的规定，检查验证了湛江雷州桉树资源发展有限公司截止至一九九五年十月三十一日止的所有者权益及相关的资产与负债。

经检查验证后确认，湛江雷州桉树资源发展有限公司截止至一九九五年十月三十一日的投入资本额：人民币95,481,503.29元，美金1,000,000.00元，外币汇率(1:8.6993)，折合人民币

8,699,300元。投入资本总额人民币104,180,803.29元，留存收益人民币-8,709,107.28元，因此贵公司所有者权益总额为：人民币玖仟伍佰肆拾柒万壹仟陆佰玖拾陆元零壹分。

根据合资经营“湛江雷州桉树资源发展有限公司合同书”第五章第十、十一条规定：国营雷州林业局（甲方）应投资1175万美元，占投资总额的47%。

嘉汉木业集团有限公司（乙方）应投资1325万美元，占投资总额的53%。

实际投资：

甲方投资95,481,503.29元，折合美金11,640,000元，占投资总额的46.56%。

乙方投入美金1,000,000元，折合人民币8,699,300元，占投资总额的0.04%。

企业所有者与所有者权益有关的资产总额为：人民币95,528,198.10元，负债总额为人民币56,502.09元。有关具体情况，见本报告所附的截至一九九五年十月三十一日《所有者权益和资产、负债验证表》及《所有者权益和资产、负债验证过程表》。

粤西会计师事务所



注册会计师



地址：湛江市霞山岭南路四号

一九九五年十一月十六日

所有者权益和资产、负债验证表

1995年10月31日

粤西会验一表

被查验单位名称: 湛江新林林业有限公司

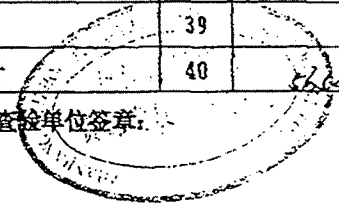
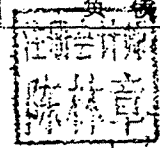
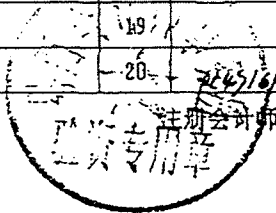
货币单位: 人民币元

项 目	行次	确 认 数	项 目	行次	确 认 数
所有者权益(注册资本¥1000万美元)	1		资产	21	
投入资金(资本)	2		流动资产	22	
中方(甲方) 国营雷州林业局	3	PC281503.09	货币资金	23	618,158.16
外方(乙方) 嘉汉木业集团有限公司	4	8699300	应收及预付款	24	274649.68
	5		存货	25	9000
	6		其他流动资产	26	538206.48
	7		流动资产合计	27	8702044.32
	8		专项资产	28	
	9		长期投资	29	
	10		固定资产	30	10338816.73
	11		在建工程	31	
	12		无形资产及其他资产	32	76487336.05
积累基金	13		资产合计	33	PC2815810
权益类基金	14		负 债	34	
未分配利润(权益部分)	15	-8709107.28	流动负债	35	56102.09
	16		其中: 负债类基金	36	
	17		未分配利润(负债部分)	37	
	18		长期负债	38	
	19			39	
所有者权益合计	20	28471696.01	负债合计	40	56102.09

编制单位: 粤西会计师事务所

注册会计师签章:

被查验单位签章:



所有者权益和资产、负债验证过程表

14

A

1995年10月31日

粤西会验二表

被验证单位名称：港中信托投资股份有限公司

货币单位：人民币元

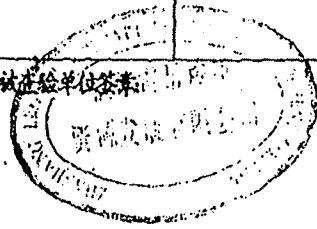
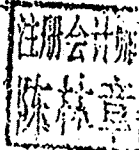
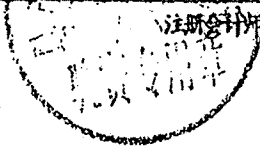
198

项 目	行 次	编 报 数	确 认 数			检验计算和确认过程说明	
			金 额	合同规定比例	实际比例		
投入资金(资本)	1						
实收资本——中方(甲方)	2	¥481,503. ⁴⁰	¥481,503. ⁴⁰	47	46.56		
外方(乙方)	3	8,699,300 ⁻	8,699,300 ⁻	7.53	0.04		
	4						
	5						
合 计	6	104,180,803. ⁴⁰	104,180,803. ⁴⁰	100	46.6		
积累基金	7						
权益类基金	8						
储备基金	9						
企业发展基金	10						
未分配利润(权益部分)	11	-8,709,107. ⁴⁸	-8,709,107. ⁴⁸				
所有者权益合计	12	¥47,166,010. ⁰¹	¥47,166,010. ⁰¹				
资 产	流 动 资 产	货币资金	13	618,158. ¹⁶	618,158. ¹⁶		
		应收及预付款	14	2,746,590. ⁶⁸	2,746,590. ⁶⁸		
		存 货	15	0. ⁻	0. ⁻		
		其他流动资产	16	5,328,096. ⁴⁸	5,328,096. ⁴⁸		
		流动资产合计	17	8,702,844. ³²	8,702,844. ³²		
	专 项 资 产	长期投资	18				
		固定资产	19	10,338,816. ⁷³	10,338,816. ⁷³		
		在建工程	20				
		无形资产及其他资产	21	7,648,733. ⁶⁵	7,648,733. ⁶⁵		
		资 产 合 计	22	¥52,819,810. ¹⁰	¥52,819,810. ¹⁰		
负 债	流动负债	23	5,650,209. ⁰⁹	5,650,209. ⁰⁹			
	其中：负债类基金	24					
	未分配利润	25					
	长期负债	26					
	负 债 合 计	27	5,650,209. ⁰⁹	5,650,209. ⁰⁹			

编制单位：粤西会计师事务所

注册会计师

被验证单位签章



Yuexi Certified Public Accountants

Yue Xi Kuai Yan Zi [1995] No. 185

Capital Verification Report

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

As entrusted by your company, Yuexi Certified Public Accountants has checked and verified owner's equity and relevant assets and liabilities as of 31 October 1995 of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. in accordance with *Law of the People's Republic of China on Chinese-Foreign Joint Ventures*, *Regulations of the People's Republic of China on Financial Management of Enterprises with Foreign Investment*, Document Zhan Jing Mao Pi Zi (1994) No. 021 of Zhanjiang Committee of Foreign Trade and Economic Cooperation concerning Articles 10-11 of Chapter 2 of Articles of Association of "Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.", an Equity Joint Venture, and *Capital Verification Rules for Certified Public Accountants (Trial)*.

After check and verification, it is confirmed that the amount of capital invested by Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. as of 31 October 1995 is: RMB95,481,503.29; US\$1,000,000.00, which is equivalent to RMB8,699,300 (foreign currency exchange rate: 1:8.6993). The total capital invested is RMB104,180,803.29 and the retained earnings is RMB-8,709,107.28. So the total owner's equity of your company is: ninety five million four hundred and seventy one thousand six hundred and ninety six yuan and one cent.

According to the stipulations of Articles 10-11 of Chapter 5 of the

Contract for the Establishment of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd., an Equity Joint Venture, State-Owned Leizhou Forestry Bureau (Party A) shall invest US\$11.75 million, accounting for 47% of the total investment.

Sino-Wood Partners, Limited (Party B) shall invest US\$13.25 million, accounting for 53% of the total investment.

Actual investment:

Party A has invested RMB95,481,503.29, equivalent to US\$11,640,000 and accounting for 46.56% of the total investment.

Party B has invested US\$1,000,000, equivalent to RMB8,699,300 and accounting for 0.04% of the total investment.

Total assets related to owner's equity of the owner of the company are: RMB95,528,198.10; and the total liabilities are RMB56,502.09. For details, please refer to the attached *Verification of Owner's Equity, Assets and Liabilities* and *Verification Process of Owner's Equity, Assets and Liabilities* as of 31 October 1995.

Yuexi Certified Public Accountants	Certified Public Accountant:
[chopped:	[chopped:
Yuexi Certified Public Accountants	Certified Public Accountant
Special Chop for Capital Verification]	Chen Lin]

Address: 4 Lingnan Road, Xiashan
District, Zhanjiang

16 November 1995

Verification Process of Owner's Equity, Assets and Liabilities

31 October 1995

Yue Xi Kuai Yan Table 2 Name of the company inspected: Currency unit:
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. RMB

Item	Line	Numbers reported	Numbers confirmed			Explanation of calculation and confirmation	
			Amount	Percentage specified in the contract	Actual percentage		
Paid-Up Capital (Capital)	1						
Actual Receipt of Capital: Chinese Party (Party A)	2	95,481,503.29	95,481,503.29	47	46.56		
Foreign Party (Party B)	3	8,699,300.00	8,699,300.00	53	0.04		
	4						
	5						
Total	6	104,180,803.29	104,180,803.29	100	46.6		
Accumulated Fund	7						
Interests-type Fund	8						
Savings Fund	9						
Enterprise Development Fund	10						
Undistributed Profits	11	- 8,709,107.28	- 8,709,107.28				
Total Owners' Equity	12	95,471,696.01	95,471,696.01				
ASSETS	CURRENT ASSETS	Monetary Fund	13	618,158.16	618,158.16		
		Receivables and prepayments	14	2,746,590.68	2,746,590.68		
		Inventory	15	9,000.00	9,000.00		
		Other current assets	16	5,328,296.48	5,328,296.48		
		Total of Current Assets	17	8,702,045.32	8,702,045.32		
	SPECIAL ASSETS	Long-Term Investment	18				
		Fixed Assets	19	10,338,816.73	10,338,816.73		
		Projects under Construction	20				
		Intangible Assets and Other Assets	21	76,487,336.05	76,487,336.05		
		Total Assets	22	95,528,198.10	95,528,198.10		
LIABILITIES	Current Liabilities	23	56,502.09	56,502.09			
	Including: liabilities-type funds	24					
	Undistributed Profits	25					
	Long-Term Liabilities	26					
	Total Liabilities	27	56,502.09	56,502.09			

Prepared by: Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants
Special Chop for Capital Verification]

Signature and seal of certified public accountant:
[chopped:
Certified Public Accountant
Chen Lin]

Signature and seal of the company inspected:
[chopped]

Verification of Owner's Equity, Assets and Liabilities

31 October 1995

Yue Xi Kuai Yan Table 1

Name of the company inspected:

Currency unit: RMB

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Item	Line	Numbers confirmed	Item	Line	Numbers confirmed
Owner's equity (registered capital: US\$10 million)	1		Assets	21	
Invested funds (capital)	2		Current Assets	22	
The Chinese party (Party A): <i>State-Owned Leizhou Forestry Bureau</i>	3	95,481,503.29	Monetary Fund	23	618,158.16
The foreign party (Party B): <i>Sino-Wood Partners, Limited</i>	4	8,699,300.00	Receivables and prepayments	24	2,746,590.68
	5		Inventory	25	9,000.00
	6		Other current assets	26	5,328,296.48
	7		Total of Current Assets	27	8,702,945.32
	8		Special assets	28	
	9		Long-Term Investment	29	
	10		Fixed Assets	30	10,338,816.73
	11		Projects under Construction	31	
	12		Intangible Assets and Other Assets	32	76,487,336.05
Accumulated funds	13		Total Assets	33	95,528,198.10
Equity funds	14		Liabilities	34	
Undistributed profits (equity)	15	- 8,709,107.28	Current Liabilities	35	56,502.09
	16		Including: liabilities-type funds	36	
	17		Undistributed Profits(Liabilities Parts)	37	
	18		Long-Term Liabilities	38	
	19			39	
Total of owner's equity	20	71,471,696.01	Total of Liabilities	40	56,502.09

Prepared by: Yuexi Certified Public Accountants

[chopped:

**Yuexi Certified Public Accountants
Special Chop for Capital Verification]**

Signature and seal of certified public accountant:

[chopped:

**Certified Public Accountant
Chen Lin]**

Signature and seal of the company inspected:

[chopped]

This is Exhibit "Q" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

粤西会计师事务所

审计报告

粤西会审字[1997]第014号

湛江雷州桉树资源发展有限公司：

我们接受委托，审计了贵公司1996年12月31日的资产负债表及该年度的财务状况变动表。这些会计报表由贵公司负责，我们的责任是对这些会计报表发表审计意见。我们的审计是依据《中国注册会计师独立审计准则》进行的。在审计过程中，我们结合贵公司的实际情况，实施了包括抽查会计记录等我们认为必要的审计程序。

经审查，由于龙门林场木片销售收入的所有权问题，双方未明确归属。因此，贵公司转入龙门林场的管理费5,871,331.00元（1994年为1,111,331.00元，1995年1至6月为4,760,000.00元）应冲减。同时，存货中的木片生产成本材料费11,246,177.48元，应转回林木资产户，场地使用费1,739,850.00元，应转回无形资产户。

我们认为，除以上情况有待调整之外，上述会计报表符合《企业会计准则》和《外商投资企业会计制度》的有关规定，在所有重大方面公允地反映了贵公司1996年12月31日的财务状况及1996年度资金变动情况，会计处理方法的选用遵循了一贯性原则。



地址：广东湛江市霞山岭南路4号

附送贵公司编制的下列会计报表：

- 1、1996年12月31日资产负债表
- 2、1996年度财务状况变动表

中国注册会计师：



一九九七年二月三日

资产负债表



企业名称: 惠尔雷州按树资源发展有限公司

1996年12月31日

资	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产:		17,684,034.12	19,450,288.78	流动负债:		200,742.69	2,096,114.40
现金	1	1,269.57	2,767.90	短期借款	42		
银行存款	2	619,418.12	300,618.01	应付票据	43		
备用金	3			应付账款	44		
有价证券	4			应付工资	45	38,467.21	60,407.56
应收票据	5			应交税金	46	1,500.00	1,500.00
应收账款	6			应付股利	47		
减: 坏账准备	7			预收货款	48		
预付账款	8			附属企业往来	49		
附属企业往来	9	394,684.00		其他应付款	50	160,775.48	2,634,306.84
其他应收款	10	2,760,804.95	4,323,930.99	预提费用	51		
待摊费用	11			职工奖励及福利基金	52		
存货	12	13,004,027.48	13,004,027.48	一年内到期的长期负债	53		
减: 存货变现损失准备	13			其他流动负债	54		
内部往来	14	903,830.00	1,758,943.80	流动负债合计	55	200,742.69	2,696,114.40
一年内到期的长期投资	15			长期负债:		0.00	0.00
其他流动资产	16			长期借款	56		
流动资产合计	17	17,684,034.12	19,450,288.78	应付公司债	57		
长期投资:		0.00	0.00	应付公司债溢价(折价)	58		
长期投资	18	0.00		一年以上的应付款项	59		
拨付所属资金	19			长期负债合计	60	0.00	0.00
一年以上的应收款项	20			其他负债:			
固定资产:		10,329,622.61	10,306,253.75	筹建期间汇兑收益	61		
固定资产原价	21	10,382,494.79	10,396,424.79	递延投资收益	62		
减: 累计折旧	22	52,872.18	90,171.04	递延税款贷项	63		
固定资产净值	23	10,329,622.61	10,306,253.75	其他递延贷项	64		
融资租入固定资产原价	24			待转销汇兑收益	65		
减: 租入资产累计折旧	25			其他负债合计	66	0.00	0.00
融资租入固定资产净值	26	0.00	0.00	负债合计	67	200,742.69	2,696,114.40
固定资产清理	27			所有者权益:			
林木资产:		18,454,766.52	18,454,766.52	资本总额(USD2500万美元)			
林木资产	28	18,454,766.52	18,454,766.52	实收资本(USD100万美元)	68	104,180,803.29	104,180,803.29
无形资产:		56,505,110.00	56,505,110.00	其中: 中方投资	69	95,481,503.29	95,481,503.29
场地使用权	29	56,505,110.00	56,505,110.00	外方投资(USD100万美元)	70	8,699,300.00	8,699,300.00
工业产权及专有技术	30			减: 已归还投资	71		
其他无形资产	31			资本公积	72		
无形资产合计	32	56,505,110.00	56,505,110.00	公司拨入资金	73		
其他资产:		1,408,012.73	2,160,498.64	储备基金	74		
开办费	33	1,288,500.48	2,048,377.53	企业发展基金	75		
筹建期间汇兑损失	34	119,512.25	112,121.11	利润归还投资	76		
递延投资损失	35			本年利润	77		
递延税款借项	36			未分配利润	78		
其他递延支出	37			货币换算差额	79		
待转销汇兑损失	38						
其他递延借项	39						
其他资产合计	40	1,408,012.73	2,160,498.64	所有者权益合计	80	104,180,803.29	104,180,803.29
资产总计	41	104,381,545.98	106,876,917.69	负债及所有者权益总计	81	104,381,545.98	106,876,917.69

附注: 1. 受托加工材料 ; 2. 受托代销商品 ; 3. 代管商品物资 ;
 4. 由企业负责的应收票据贴现 ; 5. 租入固定资产 ; 6. 本年支付的进口环节税金 ;

财务状况变动表

全年1.05表

单位：人民币

企业名称：浙江杭州绿城资源发展有限公司

1996 年度

流动资产来源和运用	行次	金额	流动资产各项目变动	行次	金额
一、流动资产来源			— 流动资产本年增加数		
1. 本年利润	1		1. 出售	42	1,498.33
加：非流动资产处置的费用和损失			2. 银行存款	43	-258,799.51
2. 固定资产折旧	2	37,298.86	3. 有价证券	44	
3. 无形资产及其他资产摊销（减其他负债摊销）	3		4. 应收账款	45	
4. 固定资产盘亏（减盘盈）	4		5. 应收票据	46	
5. 处理流动资产损失（减收益）	5		减：坏账准备	47	
6. 长期投资价值摊销（减折价摊销）	6		6. 预交所得税	48	
7. 应付公司债折价摊销（减折价摊销）	7		7. 应付账款	49	
8. 捐赠固定资产支出	8		8. 其他应付款	50	2,023,555.84
小 计	9	37,298.86	9. 清理费用	51	
2. 其他来源：			10. 存货	52	
1. 固定资产清理收入（减清理费用）	10		减：存货跌价损失准备	53	
2. 收回长期投资	11			54	
3. 投资转出固定资产	12			55	
4. 减少无形资产	13			56	
5. 增加长期借款	14			57	
6. 发行公司债	15			58	
7. 增加其他负债	16			59	
8. 增加储备基金和企业发展基金	17			60	
9. 增加资本	18			61	
10. 增加资本公积	19			62	
11. 弥补亏损	20			63	
小 计	21	0.00		64	
流动资产来源合计	22	37,298.86	流动资产增加净额	65	1,766,254.66
二、流动资金运用			— 流动负债本年增加数		
1. 利润分配：			1. 应付工资	66	
1. 所得税	23		2. 应付票据	67	
2. 职工奖励及福利基金	24		3. 应付账款	68	
3. 储备基金	25		4. 应付工资	69	21,940.35
4. 企业发展基金	26		5. 应付股利	70	
5. 股利	27		6. 应付利息	71	
6. 向股东还投资入投资	28		7. 预收账款	72	
7. 利润增资	29		8. 其他应付款	73	2,473,431.36
小 计	30	0.00	9. 预提费用	74	
2. 其他运用			10. 职工奖励及福利基金	75	
1. 增加固定资产	31	13,930.00		76	
2. 增加无形资产及其他资产	32	752,485.91		77	
3. 增加长期投资	33			78	
4. 偿还长期借款	34			79	
5. 收回公司债	35			80	
6. 减少其他负债	36			81	
7. 归还所有者权益，扣除归还所有者权益：	37			82	
8. 减少储备基金和企业发展基金	38			83	
小 计	39	766,415.91		84	
流动资金运用合计	40	766,415.91	流动负债增加净额	85	2,495,371.71
流动资金增加净额	41	-729,117.05	流动资金增加净额	86	-729,117.05

本表对应关系： 9=1-2-3-4-5-6+7+8 21=10+11+12+13+14+15+16+17+18+19+20 22=9+21
 1 30=23+24+25+26+27+28+29 39=31+32+33+34+35+36+37+38 41=22+40
 65=42+43+44+45+46+47+48+49+50+51+52+53+...+64 85=66+67+...+84 86=65+85 41=86

Yuexi Certified Public Accountants

Audit Report

Yue Xi Kuai Shen Zi (1997) No. 014

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.:

We have upon your appointment audited your balance sheet as at 31 December 1996 and your statement of changes in financial position for the year then ended. You are responsible for the aforesaid financial statements while our responsibility is to provide audit opinions on the said financial statements. Our audit work is conducted in accordance with *China's Independent Auditing Standards*. In the audit process, we implemented the audit procedure we deemed necessary, including spot-check of accounting records, in the light of your actual situation.

Upon investigation, we found that both Parties did not clearly specify the ownership of sales income of wood chips in Longmen Forest Farm. Therefore, the RMB5,871,331.00 (RMB1,111,331.00 in 1994, and RMB4,760,000.00 from January to June 1995) management fee transferred by you to Longmen Forest Farm shall be offset. Meanwhile, the RMB11,246,177.48 material cost for producing wood chips in the item of inventory shall be stated as forest asset, and the RMB1,739,850.00 for the use of site shall be included into the item of intangible asset.

We are of the opinion that, except for the above matters to be adjusted, your accounting statements comply with *Accounting Standards for Business Enterprises* and *Accounting System for Business Enterprises with Foreign Investment*, and in all material aspects give a fair view of your financial position as at 31 December 1996 and your cash flow for the year then ended, and you have been consistent in your selection of accounting methods.

Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants]

Chinese CPA:
[chopped:
Certified Public Accountant
Chen Riqing]

Address: 4 Lingnan Road, Xiashan District,
Zhanjiang City, Guagdong

3 February 1997

Accounting statements prepared by your company:

1. Balance sheet as at 31 December 1996
2. Statement of changes in financial position in 19956

Balance Sheet

[chopped]

[chopped: Yuexi Certified Public Accountants]

Name of enterprise:

Kuai Wai Table 01

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. 31 December 1996

Unit: RMB

Assets	Line	Opening balance	Ending balance	Liabilities and owners' equity	Line	Opening balance	Ending balance
Current assets:		17,684,034.12	19,450,288.78	Current liabilities:		200,742.69	2,696,114.40
Cash	1	1,269.57	2,767.90	Short-term loan	42		
Bank deposit	2	619,418.12	360,618.61	Notes payable	43		
Reserve fund	3			Accounts payable	44		
Securities	4			Salaries payable	45	38,467.21	60,407.56
Notes receivable	5			Taxes payable	46	1,500.00	1,500.00
Accounts receivable	6			Dividends payable	47		
Less: provision for bad debts	7			Advance receipts for goods	48		
Advance payments	8			Transactions between subsidiaries	49		
Transactions between subsidiaries	9	394,684.00		Other accounts payable	50	160,775.48	2,634,206.84
Other receivables	10	2,760,804.95	4,323,930.99	Accrued expenses	51		
Expenses to be amortized	11			Staff bonus and welfare	52		
Inventory	12	13,004,027.48	13,004,027.48	Long-term liabilities maturing within one year	53		
Less: Provision for loss on realisation of inventory	13			Other current liabilities	54		
Internal transactions	14	903,830.00	1,758,943.80	Total current liabilities	55	200,742.69	2,696,114.40
Long-term investments maturing within one year	15			Long-term liabilities:		0.00	0.00
Other current assets	16			Long-term loan	56		
Total current assets	17	17,684,034.12	19,450,288.78	Corporate bonds payable	57		
Long-term investments:		0.00	0.00	Corporate bond premium (discount)	58		
Long-term investments	18	0.00		Accounts payable for more than one year	59		
Funds to branches	19			Total long-term liabilities	60	0.00	0.00
Accounts payable for more than one year	20			Other liabilities:			
Fixed assets:		10,329,622.61	10,306,253.75	Exchange gain during start-up period	61		
Original cost of fixed assets	21	10,382,494.79	10,396,424.79	Deferred investment earnings	62		
Less: cumulative depreciation	22	52,872.18	90,171.04	Deferred tax credit	63		
Net value of fixed assets	23	10,329,622.61	10,306,253.75	Other deferred credits	64		
Original cost of fixed assets acquired under finance lease	24			Exchange gains to be written off	65		
Less: Accumulated depreciation of assets leased	25			Total other liabilities	66	0.00	0.00
Net value of fixed assets acquired under finance leases	26	0.00	0.00	Total liabilities	67	200,742.69	2,696,114.40
Disposal of fixed assets	27			Owners' equity:			
Forest assets:		18,454,766.52	18,454,766.52	Total capital (USD25 million)		-	-
Forest assets	28	18,454,766.52	18,454,766.52	Paid-up capital (USD1 million)	68	104,180,803.29	104,180,803.29
Intangible assets:		56,505,110.00	56,505,110.00	Including: Investments of Chinese party	69	95,481,503.29	95,481,503.29
Site use right	29	56,505,110.00	56,505,110.00	Investments of foreign party (USD1 million)	70	8,699,300.00	8,699,300.00
Industrial property rights and patent technologies	30			Less: investment repaid	71		
Other intangible assets	31			Capital reserve	72		
Total intangible assets	32	56,505,110.00	56,505,110.00	Funds from head office	73		
Other assets:		1,408,012.73	2,160,498.64	Reserve fund	74		
Organization cost	33	1,288,500.48	2,048,372.53	Corporate development fund	75		
Exchange loss during start-up period	34	119,512.25	112,121.11	Profit capitalised on return of investment	76		
Deferred investment losses	35			Profit for the current year	77		
Deferred tax debit	36			Undistributed profits	78		
Other deferred expenses	37			Currency translation difference	79		
Exchange losses to be written off	38						
Other deferred debits	39						
Other assets	40	1,408,012.73	2,160,498.64	Total owners' equity	80	104,180,803.29	104,180,803.29
Total assets	41	104,381,545.98	106,876,917.69	Total liabilities and owners' equity	81	104,381,545.98	106,876,917.69

Notes: 1. outsourced processing materials; 2. consigned commodities; 3. commodities held for others;
4. discounts of notes receivable to be undertaken by the enterprise; 5. fixed assets under operating lease; 6. import tax paid this year

Statement of Changes in Financial Position

[chopped]

[chopped: Yuexi Certified Public Accountants]

Name of enterprise:

Kuai Wai [illegible] Table 03

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. 1996

Unit: RMB

Source and use of current fund	Line	Amount	Change of various accounts of current fund	Line	Amount
I. Source of current fund		-	I. Increase of current assets in the year		
I. Profit for the current year	1		1. Cash	42	1,498.33
Add: Expenses and losses not affecting current fund		-	2. Bank deposits	43	-258,799.51
(1) Depreciation of fixed assets	2	37,298.86	3. Securities	44	
(2) Amortisation of intangible assets and other assets (less: amortisation of other liabilities)	3		4. Notes receivable	45	
(3) Less: fixed assets inventory shorts (less: inventory surplus)	4		5. Accounts receivable	46	
(4) Loss from disposal of fixed assets (less: gains)	5		Less: Provision for bad debt	47	
(5) Amortisation of premium on long term investments (less: discount amortisation)	6		6. Income tax prepaid	48	
(6) Discount amortisation of corporate bonds payable (less: discount amortisation)	7		7. Advance payment for goods	49	
(7) Expenditure on donation of fixed assets	8		8. Other receivables	50	2,023,555.84
Subtotal	9	37,298.86	9. Expenses to be amortised	51	
2. Other sources		-	10. Inventories	52	
(1) Revenue from disposal of fixed assets (less: disposal expenses)	10		Less: Provision for loss on change of inventory	53	
(2) Realisation of long-term investments	11			54	
(3) Investment translated into fixed assets	12			55	
(4) Decrease of intangible assets	13			56	
(5) Increase of long-term loans	14			57	
(6) Issue of corporate bonds	15			58	
(7) Increase of other liabilities	16			59	
(8) Increase of reserve fund and corporate development fund	17			60	
(9) Capital increase	18			61	
(10) Increase of capital reserve	19			62	
(11) Loss recovery	20			63	
Subtotal	21	0.00		64	
Total sources of current fund	22	37,298.86	Net increase of current assets	65	1,766,254.66
II. Use of current fund		-	II. Increase of current liability in the year		
1. Profit distribution			1. Short-term loans	66	
(1) Income taxes	23		2. Notes payable	67	
(2) Staff bonus and welfare	24		3. Accounts payable	68	
(3) Reserve fund	25		4. Salaries payable	69	[illegible]
(4) Corporate development fund	26		5. Taxes payable	70	
(5) Dividend	27		Dividends payable	71	
(6) Profit capitalised on return of investment	28		7. Advance receipts for goods	72	
(7) Capital increase of enterprise [illegible]	29		8. Other payables	73	2,473,431.36
Subtotal	30	0.00	9. Accrued expenses	74	
2. Other uses		-	10. Staff bonus and welfare	75	
(1) Increase of fixed assets	31	13,930.00		76	
(2) Increase of intangible assets and other assets	32	752,485.91		77	
(3) Increase of long-term investment	33			78	
(4) Repayment of long-term loans	34			79	
(5) Recovery of corporate bonds	35			80	
(6) Decrease of other liabilities	36			81	
(7) Repayment of owners' investment (with profit capitalised on return of owners' investments deducted)	37			82	
(8) Decrease of reserve fund and corporate development fund	38			83	
Subtotal	39	766,415.91		84	
Total uses of current fund	40	766,415.91	Net increase of current liabilities	85	[illegible]
Net increase of current fund	41	[illegible]	Net increase of current fund	86	[illegible]

Correspondence relation of this table:

9=1-2-3-4-5-6-7+8 21=10+11+12+13+14+15+16+17+18+19+20 22=9+21
 30=23+24+25+26+27+28+29 39=31+32+33+34+35+36+37+38 41=22+40
 65=42+43+44+45+46+47+48+49+50+51+52+53+54+55+56+57+58+59+60+61+62+63+64+65+66+67+68+69+70+71+72+73+74+75+76+77+78+79+80+81+82+83+84+85+86+87+88+89+90+91+92+93+94+95+96+97+98+99+100

This is Exhibit "R" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

湛江雷州桉树资源发展有限公司

章 程

第一条 湛江雷州桉树资源发展有限公司原系由雷州林业局和香港嘉汉木业集团有限公司合资经营的企业。经湛江市对外经贸委 1994 年 1 月 28 日湛经贸资批字（1994）021 号文批准成立。由于各种原因，公司成立至今尚未能正常运作。经雷州桉树资源发展有限公司董事会 1998 年 6 月 3 日决议和雷州林业局 1998 年 6 月 10 日雷林函（1998）25 号文，雷州林业局同意退出雷州桉树资源发展有限公司，其在雷州桉树资源发展有限公司中的出资及相应权利和义务，香港嘉汉木业集团有限公司同意全部退回给雷州林业局。雷州林业局退出后，湛江雷州桉树资源发展有限公司改由香港嘉汉木业集团有限公司全资经营，即由中外合资企业改为外资企业，根据《中华人民共和国外资企业法》及其实施细则，特制定本章程。

第二条 外资公司名称为：湛江雷州桉树资源发展有限公司（下称外资公司）。

外资公司的法定地址改为：海滨五路 159 号。

第三条 外资公司的投资者：香港嘉汉木业集团有限公司。

法定地址：香港湾仔港湾道 23 号鹰君中心 1409 室

第四条 外资公司为有限责任公司。

第五条 外资公司为中国法人，受中国法律管辖和保护，其一切活动必须遵守中国法律法令和有关条例规定。

第二章 宗旨、经营范围

第六条 外资公司宗旨为：在中国发展林业、经营林业。

第七条 外资公司的经营范围：营林，木材加工，木制品林

产化工产品生产销售。

第八条 外资公司生产规模为：营林八千公顷。木材加工，^{每年}产值约二百万美元。

第九条 外资公司的产品，50%在中国境内销售，50%在中国境外销售。

第三章 总投资额及注册资本

第十条 外资公司的总投资额为2500万美元。

第十一条 外资公司的注册资本为1000万美元。

第十二条 外资公司的资金由香港嘉汉木业集团有限公司全资投入。

第十三条 外资公司的资金，在外资公司营业执照变更之日起12个月内投入完毕，其中第一期在头三个月内投入15%以上。

第十四条 经营期限内，外资公司不得减少注册资本。

第十五条 外资公司注册资本的增加，转让须经董事会一致通过，并报原审批机关批准。

第四章 董事会

第十六条 外资公司设董事会，董事会是外资公司的最高权力机构。

第十七条 董事会决定外资公司的一切重大事宜，其职权主要如下：

- 1、决定和批准总经理提出的重要报告（如生产规划、年度营业报告、资金、借款等）；
- 2、批准年度财务报表，收支预算、年度利润分配方案；
- 3、通过外资公司的重要规章制度；
- 4、决定设立分支机构；
- 5、修改公司章程；

6、讨论决定外资公司停产，终（中）止或与另一个经济组织合并；

7、决定聘用总经理、总工程师、总会计师、审计师等高级职员；

8、负责外资公司终止和期满时的清算工作；

9、其它应由董事会决定的重大事宜；

第十八条 董事会由三名董事组成，均由香港嘉汉木业集团有限公司委派，董事任期为四年，经连续委派可以连任。

第十九条 董事会例会每年召开不少于两次。

第二十条 董事会会议由董事长召集并主持，董事长缺席时，由副董事长召集并主持。

第二十一条 董事长应在董事会开会前三十天书面通知各董事写明会议内容、时间和地点。

第二十二条 董事因故不能出席董事会会议，可以书面委托代理人出席董事会，如届时未出席也未委托他人出席，则作为弃权。

第二十三条 出席董事会会议的法定人数为全体董事的三分之二，不够三分之二人数时，其通过的决议无效。

第二十四条 董事会每次会议，须整理书面记录，并由全体出席的董事签字。代理人出席的由代理人签字。记录文字使用中文，书面记录由外资公司存档。

第二十五条 下列事项须经出席董事会会议的董事一致通过方可作出决议：

- 1、外资公司章程的修改；
- 2、外资公司注册资本的增加、转让；
- 3、外资公司中止、解散；
- 4、外资公司与其他经济组织合并。

第二十六条 第二十五条之外的其他事项须经出席董事会会议过半数董事通过方可作出决议。

第五章 经营管理机构

第二十七条 外资公司的经营管理机构下设生产、技术、劳资、行政等部门。

第二十八条 外资公司设总经理一人，副总经理一人，正副总经理由董事会聘请。

第二十九条 总经理直接对董事会负责，执行董事会的各项决定，组织领导外资公司的日常生产，技术和经营管理工作。副总经理协助总经理工作，当总经理不在时，代理行使总经理的职责。

第三十条 外资公司日常工作中重要问题的决定，应由总经理和副总经理联合签署方能生效。需要联合签署的事项，由董事会具体规定。

第三十一条 总经理和副总经理的任期为四年，经董事会聘请可以连任。

第三十二条 外资公司的董事长、副董事长、董事经董事会聘请，可兼任外资公司总经理、副总经理及其他高级职员。

第三十三条 外资公司总经理、副总经理不得兼任其他经济组织的总经理或副总经理，不得参与其他经济组织对本外资公司的商业竞争行为。

第三十四条 外资公司设总工程师、总会计师和审计师各一人，由董事会聘请。

第三十五条 总会计师负责领导外资公司的财务会计工作，组织外资公司开展全面经济核算。

审计师负责外资公司的财务审计工作，审核外资公司财务的收支会计帐目，向总经理并向董事会提出报告。

第三十六条 总经理、副总经理、总工程师、总会计师、审计师和其他高级职员辞职时，应提前向董事会提出报告。

以上人员如有营私舞弊或严重失职行为的，经董事会决议，可随时解聘。如触犯刑律的，要依法追究刑事责任。

第六章 财务会计

第三十七条 外资公司的财务会计按照中华人民共和国财政部制定的有关财务会计制度规定办理。

第三十八条 外资公司会计年度采用日历年制，自一月一日起至十二月三十一日止为一个会计年度。

第三十九条 外资公司的一切凭证、帐簿、报表用中文书写。用外文书写的，应当加注中文。

第四十条 外资公司采用人民币为记帐本位币，人民币同其他货币折算，按实际发生之日中华人民共和国国家外汇管理局公布的汇价计算。

第四十一条 外资公司在中国银行或中国其他银行开立人民币及外币帐户。

第四十二条 外资公司采用国际通用的权责发生制和借贷记帐法记帐。

第四十三条 外资公司财务会计帐册上应记载如下内容：

- 1、外资公司所有的现金收入、支出数量；
- 2、外资公司所有物资出售及购入情况；
- 3、外资公司注册资本及负债情况；
- 4、外资公司注册资本的缴纳时间、增加及转让情况；

第四十四条 外资公司财务部门应在每个会计年度头三个月编制上一个会计年度的资产负债表和损益计算书，经审计师审核签字后，提交董事会会议通过。

第四十五条 外资公司按照《中华人民共和国外商投资企业和外国企业所得税法》及其实施细则的规定，由董事会决定其固定资产的折旧年限。

第四十六条 外资公司的一切外汇事宜按照《中华人民共和国外汇管理条例》和有关规定办理。

第七章 利 润

第四十七条 外资公司从缴纳所得税后的利润中提取储备基金和职工奖励及福利基金。储备基金的提取比例不得低于税后利润的10%，职工奖励及福利基金的提取比例由董事会确定。

第四十八条 外资公司依法缴纳所得税和提取各项基金后的利润，归投资方所得，但经董事会一致同意另有规定除外。

第八章 职 工

第四十九条 外资公司职工的雇用、解聘、辞职、工资福利、劳动保险、劳动保护、劳动纪律等事宜，按照中华人民共和国有关劳动法规办理。

第五十条 外资公司所需要的职工，可以由当地劳动部门推荐或者经劳动部门同意后，由外资公司公开招收，但一律通过考试择优录用。

外资公司在中国境内雇用职工，企业与职工双方应依照中国的法律、法规签订劳动合同。劳动合同中应订明雇用、辞退、报酬、福利、劳动保护、劳动保险等事宜。

第五十一条 外资公司有权对违犯外资公司规章制度和劳动纪律的职工给予警告，记过，降薪的处分，情节严重的，可予以开除。开除处分职工，须报当地劳动部门备案。

第五十二条 职工的工资待遇参照中国有关规定，根据外资公司情况，由董事会确定，并在劳动合同中具体规定。

外资公司随着生产的发展，职工业务能力和技术水平的提高，适当提高职工的工资。

第五十三条 职工的福利、奖金、劳动保护和劳动保险等事宜，外资公司将分别在各项制度中加以规定，确保职工在正常条件下从事生产和工作。

第九章 工会组织

第五十四条 外资公司职工有权按照《中华人民共和国工会法》的规定，建立工会组织，开展工会活动。

第五十五条 外资公司的工会组织是职工利益的代表，它的任务是：依法维护职工的民主权利和物质利益，协助外资公司安排和合理使用福利、奖励基金，组织职工学习政治、业务、科学、技术知识，开展文艺、体育活动，教育职工遵守劳动纪律，努力完成公司各项任务。

第五十六条 外资公司工会代表职工和外资公司签订劳动合同，并监督合同的执行。

第五十七条 外资公司工会负责人有权列席有关讨论公司发展规划，生产经营活动等问题的董事会会议，反映职工的意见和要求。

第五十八条 外资公司工会参加调解职工和外资公司之间发生的争议。

第五十九条 外资公司每月按外资公司职工实际工资总额百分之二拨交工会经费，外资公司工会按照中华全国总工会制定的《工会经费管理办法》使用工会经费。

第十章 期限、终止、清算

第六十条 外资公司经营期限为30年，自原营业执照签发之日起计算。

第六十一条 外资公司经营董事会会议作出决议可在经营期满前六个月向原审批机构申请延长经营期限。

第六十二条 外资公司如认为终止经营符合外资公司最大利益时，可申请提前终止经营。

第六十三条 外资公司提前终止经营，需董事会召开全体会议作出决定，并报送对外贸易经济合作部（或其委托的审批机构）

批准。

第六十四条 外资公司经营期满或提前终止经营时，董事会应提出清算程序，原则和清算委员会人选，组成清算委员会，对外资公司财产进行清算。

第六十五条 清算委员会的任务是对外资公司的财产、债权、债务进行全面清算，编制资产负债表和财产目录，制定清算方案，提请董事会通过后执行。

第六十六条 清算期间，清算委员会代表公司起诉或应诉。

第六十七条 清算费用和清算委员会成员的酬劳应从外资公司现存财产中优先支付。

第六十八条 清算委员会对外资公司的债务全部清偿后，其剩余的财产归投资者所有。

第六十九条 清算结束后，外资公司应向对外贸易经济合作部（或其委托的审批机构）提出报告，并向国家工商行政管理局办理注销登记手续，缴回营业执照，同时对外公告。

第七十条 外资公司结业后，其各种帐册由投资者保存。

第十一章 规章制度

第七十一章 外资公司通过董事会制定的规章制度有：

- 1、经营管理制度，包括所属各个管理部门的职权与工作程序；
- 2、职工守则；
- 3、劳动工资制度；
- 4、职工考勤、升级与奖励制度；
- 5、职工福利制度；
- 6、财务制度；
- 7、公司解散时的清算程序；
- 8、其他必要的规章制度；

第十二章 附 则

第七十二条 本章程的修改，必须经董事会会议一致通过决议，并报原审批机构批准。

第七十三条 本章程用中文书写。

第七十四条 本章程须经中华人民共和国对外贸易经济合作部（或其委托的审批机构）批准才能生效，修改时同。

香港嘉汉木业集团有限公司



授权代表: *K. K. ...*

一九九九年四月廿七日

Articles of Association
of
Zhangjiang Leizhou Eucalypt Resources Development Co., Ltd.

Article 1 Jointly funded by Leizhou Forestry Bureau and Sino-Wood Partners, Limited, Zhangjiang Leizhou Eucalypt Resources Development Co., Ltd. was established as an equity joint venture upon approval of Zhanjiang Committee of Foreign Trade and Economic Cooperation in its document Zhan Jing Mao Zi Pi Zi (1994) No. 021 dated 28 January 1994. For various reasons, the Company has not been normally operated till now. According to the resolutions dated 3 June 1998 of the board of directors of Leizhou Eucalypt Resources Development Co., Ltd. and Document Lei Lin Han (1998) No. 25 dated 10 June 1998 of Leizhou Forestry Bureau, Leizhou Forestry Bureau agreed to withdraw from Leizhou Eucalypt Resources Development Co., Ltd., and Sino-Wood Partners, Limited agreed to return to Leizhou Forestry Bureau all its capital contributions and rights and obligations in Leizhou Eucalypt Resources Development Co., Ltd. After the withdrawal of Leizhou Forestry Bureau, Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. was changed from a Chinese-Foreign equity joint venture to a Foreign-Funded Enterprise wholly funded by Sino-Wood Partners, Limited. These Articles of Association are formulated in accordance with *Law of the People's Republic of China on Foreign-Funded Enterprises* and the implementation rules thereof.

Article 2 Name of the Foreign-Funded Enterprise: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. (the Foreign-Funded Enterprise).

Legal address of the Foreign-Funded Enterprise: 159 Fifth Haidian Road.

Article 3 Investor of the Foreign-Funded Enterprise: Sino-Wood Partners, Limited

Legal address: Room 1409, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong

Article 4 The Foreign-Funded Enterprise is a company with limited liabilities.

Article 5 The Foreign-Funded Enterprise is a PRC legal person, which shall be governed and protected by PRC laws and all its activities shall comply with the PRC laws, statutes and relevant regulations.

Chapter 2 Objective and Business Scope

Article 6 Objective of the Foreign-Funded Enterprise: To develop and manage forestry business in China.

Article 7 Business scope of the Foreign-Funded Enterprise: Silviculture, wood processing, production and sale of wood and forest chemical products.

Article 8 Manufacturing scale of the Foreign-Funded Enterprise: Forest of 8,000 hectares, and an annual output of about US\$2 million in terms of wood processing.

Article 9 The products of the Foreign-Funded Enterprise are sold in equal proportion on domestic and overseas markets.

Chapter 3 Total Investment and Registered Capital

Article 10 The total investment of the Foreign-Funded Company shall be US\$25 million.

Article 11 The registered capital of the Foreign-Funded Company shall be US\$10 million.

Article 12 The capital of the Foreign-Funded Company shall be wholly funded by Sino-Wood Partners, Limited, Hong Kong.

Article 13 The capital of the Foreign-Funded Company shall be contributed in full within 12 months from the date of change of the business license of the Foreign-Funded Company, including the phase-one contribution of over 15% within the first 3 months.

Article 14 During the term of operation, the Foreign-Funded Company shall not reduce its registered capital.

Article 15 Increase of the registered capital of the Foreign-Funded Company shall be subject to the unanimous adoption of the Board of Directors and approval by the original examination and approval authority

Chapter 4 Board of Directors

Article 16 The Foreign-Funded Company shall have a Board of Directors which shall be the highest authority of the Foreign-Funded Company.

Article 17 The Board of Directors makes decisions on all major issues of the Foreign-Funded Company, and its duties and functions are as follows:

1. decide on and approve important reports submitted by the general manager (such as production planning, annual business report, capital, borrowings, etc.);
2. approve the annual financial report, income and expense budget, and annual profit distribution scheme;
3. approve important rules and regulations of the Foreign-Funded Company;
4. decide on the establishment of branch office(s);
5. amend the Articles of Association of the Company;
6. discuss and decide on the cessation of production, termination (suspension) of the Foreign-Funded Company or merger with another economic entity;
7. decide the appointment of senior officers such as general manager, chief engineer, chief accountant, auditor, etc.
8. take charge of the liquidation work of the Foreign-Funded Company upon its termination and expiration;
9. other important matters which shall be decided by the Board of Directors.

Article 18 The Board of Directors shall be composed of three directors, all of whom shall be appointed by Sino-Wood Partners, Limited, Hong Kong. The term of office of the directors shall be 4 years and is renewable upon continuing appointment.

Article 19 Regular meetings of the Board of Directors shall be convened at least two times a year.

Article 20 Meetings of the Board of Directors shall be called and presided over by the chairman. During the absence of the chairman, the meetings shall be called and presided over by the vice-chairman.

Article 21 The chairman shall inform all the directors in writing of the agenda, time, and venue of the board meeting at least 30 days prior to the

meeting.

Article 22 Should a director be unable to attend a Board meeting for any reason, he may authorize in writing a proxy to attend the meeting. If a director does not attend a Board meeting and fails to appoint a proxy to attend on his behalf, he shall be deemed to have forfeited his rights.

Article 23 A quorum of the board meeting shall be constituted when two-thirds of all the directors are present at the meeting. When the number of directors present does not reach two-thirds, any resolution passed shall be null and void.

Article 24 Minutes of each Board meeting shall be properly prepared and signed by all the attending directors; and if the meeting is attended by a proxy, the minutes shall be signed by the proxy. The minutes shall be recorded in Chinese and shall be kept by the Foreign-Funded Company.

Article 25 Resolutions on the following issues shall only be made subject to the unanimous adoption by the directors attending a Board Meeting:

1. Amendments to the Articles of Association of the Foreign-Funded Company;
2. Increase and transfer of the registered capital of the Foreign-Funded Company;
3. Termination and dissolution of the Foreign-Funded Company;
4. Merger of the Foreign-Funded Company with another economic entity.

Article 26 Resolutions on any other matters beyond Article 25 shall only be made subject to the adoption by over 50% of the directors attending a Board Meeting:

Chapter 5 Business Management Organisation

Article 27 The Business Management Organisation of the Foreign-Funded Company shall have thereunder various departments such as production, technical, labour relations, and administration.

Article 28 The Foreign-Funded Company shall have a general manager and a deputy general manager. Both the general manager and deputy general manager shall be appointed by the Board of Directors.

Article 29 The general manager shall be accountable to the Board of Directors directly and execute the various decisions of the Board of Directors,

organise and lead the day-to-day production, technical and operation management work of the Foreign-Funded Company. The deputy general manager shall assist the general manager in his duties. During the absence of the general manager, the deputy general manager shall exercise the general manager's duties on his behalf.

Article 30 Decisions on important issues of the Foreign-Funded Company during its day-to-day operations shall be jointly signed by the general manager and deputy general manager before taking effect. Matters which required their joint signatures shall be specified by the Board of Directors.

Article 31 The term of office of the general manager and deputy general managers shall be 4 years and is renewable upon re-appointment by the Board of Directors.

Article 32 The chairman and vice-chairman of the Board of Directors of the Foreign-Funded Company may concurrently serve as the general manager, deputy general manager and other senior officers of the Foreign-Funded Company.

Article 33 The general manager and deputy general manager of the Foreign-Funded Company shall not serve concurrently as general manager or deputy general manager of other economic entities and shall not participate in other economic entities' acts of commercial competition against the Foreign-Funded Company.

Article 34 The Foreign-Funded Company shall have a chief engineer, chief accountant, and auditor, who shall be appointed by the Board of Directors.

Article 35 The chief accountant shall be responsible for leading the financial and accounting tasks of the Foreign-Funded Company and organising the Foreign-Funded Company in launching comprehensive costing control.

The auditor shall take charge of the financial and auditing tasks of the Foreign-Funded Company, audit the income and expenditure accounts relating to the finances of the Foreign-Funded Company, and submit reports to the general manager and to the Board of Directors.

Article 36 When the general manager, deputy general managers, chief engineer, chief accountant, auditor, and other senior officers tender resignations, a report shall be submitted to the Board of Directors in advance.

Where any of the aforesaid individuals conducts graft or commits serious dereliction of duty, they may be dismissed at any time upon resolution

of the Board of Directors. In case of violation of the criminal law, they shall be investigated for criminal responsibility according to law.

Chapter 6 Finance and Accounting

Article 37 The Foreign-Funded Company's financial and accounting system shall be handled in accordance with the provisions of the relevant financial and accounting system formulated by the Ministry of Finance of the People's Republic of China.

Article 38 The accounting year of the Foreign-Funded Company shall follow the Gregorian calendar year system, i.e. an accounting year starts from 1 January and ends on 31 December.

Article 39 All vouchers, accounting books and statements of the Foreign-Funded Company shall be written in Chinese.

Article 40 The Foreign-Funded Company shall use Renminbi as the currency for accounting entries. Conversion between Renminbi and other currencies shall be based on the exchange rate announced by State Administration of Foreign Exchange of the People's Republic of China.

Article 41 The Foreign-Funded Company shall open a Renminbi account and foreign currency account with the Bank of China or any other bank in China.

Article 42 The Foreign-Funded Company shall adopt the internationally and generally accepted accrual basis and debit/credit bookkeeping method.

Article 43 The financial and accounting books of the Foreign-Funded Company shall record the following contents:

1. All cash revenues and expenses of the Foreign-Funded Company;
2. All material purchases and sales of the Foreign-Funded Company;
3. The Foreign-Funded Company's registered capital and liabilities;
4. The date of contribution, increase and transfer of the registered capital of the Foreign-Funded Company;

Article 44 The Finance Department of the Foreign-Funded Company shall prepare the balance sheet and income statement of the preceding accounting year during the first 3 months of every accounting year, which shall be submitted to the Board of Directors for approval in the board meeting.

Article 45 The Foreign-Funded Company shall comply with the

stipulations of the *Profit Tax Law for Foreign-Invested Enterprises and Foreign Enterprises of the People's Republic of China* and its detailed rules for implementation, and the Board of Directors shall determine the depreciation period of its fixed assets.

Article 46 The handling of all foreign exchange matters of the Foreign-Funded Company shall be handled in accordance with the *Foreign Exchange Control Regulations of the People's Republic of China* and its relevant stipulations.

Chapter 7 Profits

Article 47 The Foreign-Funded Company shall withdraw from the after-tax profits to provide funding for the reserve fund, enterprise development fund, staff bonus and welfare fund. The withdrawal ratio of the reserve fund shall not be lower than 10% of the after-tax profits, while the withdrawal ratio of the staff bonus and welfare fund shall be determined by the Board of Directors.

Article 48: After the Foreign-Funded Company has paid the profit tax according to law and withdrawn the various funds, the remaining profit shall belong to the investors unless otherwise unanimously agreed by the Board of Directors.

Chapter 8 Employees

Article 49 Issues such as the recruitment, layoff, resignation, wages, welfare, labour insurance, labour protection, labour discipline of the employees of the Foreign-Funded Company shall be handled in accordance with the relevant labour laws and regulations of the People's Republic of China.

Article 50 Employees required for the Foreign-Funded Company may be recommended by the local labour department or, subject to the consent of the labour department, recruited openly by the Foreign-Funded Company; however, all of them shall be hired by selecting the best candidates through examination.

The Foreign-Funded Company shall hire employees in the territory of China, and the enterprise and employees shall enter into employment contracts pursuant to the laws and regulations of China. The employment contract shall

specify such matters as the employment, resignation, remuneration, benefits, labour protection, and labour insurance.

Article 51 The Foreign-Funded Company shall have the right to impose disciplinary actions on employees who have violated the regulations and labour disciplines of the Foreign-Funded Company, giving them warnings, recording their demerits, and reducing their salaries. Such employees may be dismissed in case of serious offences. Dismissal of employees shall be reported to the local labour department for record.

Article 52 The wages and remuneration of employees shall be decided by the Board of Directors with reference to the relevant stipulations of the People's Republic of China and in consideration of the specific conditions of the Foreign-Funded Company, and shall be specified in the employment contract accordingly.

Following the development of production and operation of the Foreign-Funded Company and the enhancement of the employees' business abilities and technical level, the employees' wages shall be increased appropriately.

Article 53 Issues such as employees' benefits, bonus, labour protection, and labour insurance shall be stipulated respectively in the various systems of the Foreign-Funded Company so as to ensure that the employees are engaged in production and working under normal conditions.

Chapter 9 Trade Union Organization

Article 54 Employees of the Foreign-Funded Company shall have the right to set up a trade union organization and launch trade union activities as stipulated in the *Laws on Trade Unions of the People's Republic of China*.

Article 55 The trade union of the Foreign-Funded Company represents the interests of the employees. Its roles are: to protect the employees' democratic rights and material benefits according to the law; to assist the Foreign-Funded Company in the arrangement and the reasonable use of the welfare and incentive funds; to organise the employees to learn politics, business, science and technical knowledge; to launch artistic and sports activities; and to educate the employees to comply with labour disciplines and to diligently fulfill the various economic tasks of the Foreign-Funded Company.

Article 56 The trade union of the Foreign-Funded Company shall enter into employment contracts with the Foreign-Funded Company on behalf of the employees, and monitor the execution of the employment contracts.

Article 57 The person-in-charge of the trade union of the Foreign-Funded Company shall be entitled to attend relevant meetings concerning relevant issues such as the development plans, production and operation activities of the Company, to reflect the employees' opinions and requests.

Article 58 The trade union of the Foreign-Funded Company shall participate in mediating the disputes between the employees and the Foreign-Funded Company.

Article 59 The Foreign-Funded Company shall appropriate a monthly amount equivalent to 2% of the actual total wages of the employees for the expenditure for the trade union. The trade union of the Foreign-Funded Company shall make use of the said funding according to the *Measures for the Administration of Trade Union Expenditures* formulated by the China National Trade Union Federation.

Chapter 10 Term, Termination, and Liquidation

Article 60 The term of operation of the Foreign-Funded Company shall be 30 years, commencing from the date of issuance of the original Business License.

Article 61 Subject to a resolution of the Board of Directors, the term of the Foreign-Funded Company may be extended by submitting an application to the original examination and approval authority within six months prior to the expiry of the term of operation of the Foreign-Funded Company.

Article 62 In the event that the Foreign-Funded Company believes that it is in the best interests of the Foreign-Funded Company to terminate its operation, it may apply for terminating its operation early.

Article 63 The early termination of the Foreign-Funded Company shall be subject to the decision of all the directors in a meeting of the Board of Directors, and shall be submitted to the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry) for approval.

Article 64 When the term of the Foreign-Funded Company expires or

is terminated prematurely, the board of directors shall propose the procedures and principles of liquidation and the candidates of the liquidation committee, and form a liquidation committee to liquidate the property of the Foreign-Funded Company.

Article 65 The mission of the liquidation committee is to take comprehensive inventory of all property, claims, and debts of the Foreign-Funded Company, prepare a balance sheet and a catalogue of property, and formulate a liquidation plan for submission to the board of directors for adoption and implementation.

Article 66 During the liquidation, the liquidation committee shall sue and shall be sued on behalf of the Company.

Article 67 The costs of liquidation and the remuneration of the liquidation committee members shall be paid out of the existing property of the Foreign-Funded Company.

Article 68 After full settlement of the debts of the Foreign-Funded Company by the liquidation committee, the remaining property shall belong to the investor.

Article 69 Upon completion of the liquidation, the Foreign-Funded Company shall submit a report to the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry) for approval, go through the procedure for cancellation of registration with the State Administration for Industry and Commerce, surrender its business license, and also make a public announcement thereof.

Article 70 After closure of the Foreign-Funded Company, all of its accounting books shall be retained by the investor.

Chapter 11 Rules and Regulations

Article 71 The rules and regulations formulated by the Foreign-Funded Company include the following:

1. Operation and management system, which includes the duties, power and work procedures of the various management departments thereunder;
2. Rules for the employees;
3. Wage system;
4. Employees' punctuality, attendance, promotion, and incentive

systems:

5. Employees' welfare system;
6. Financial system;
7. Liquidation procedures upon the dissolution of the Company;
8. Other required rules and regulations.

Chapter 12 Supplementary Provisions

Article 72 Amendments to these Articles of Association shall be subject to the unanimous adoption by the Board of Directors by way of resolution and submitted to the original examination and approval authority for approval.

Article 73 These Articles of Association shall be written in the Chinese language.

Article 74 These Articles of Association shall take effect only after approval by the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry). The same approval is required in case of amendments.


Sino-Wood Partners, Limited, Hong Kong

**[chopped:Sino-Wood Partners, Limited,
Hong Kong]**

Legal Authorized: *[signed]*

27 April 1999

This is Exhibit "S" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

编号: _____

1

注册号: _____

外商投资企业注销登记申请书 A-302

湛江市 工商行政管理局:

根据《中华人民共和国公司登记管理条例》和《中华人民共和国企业法人登记管理条例》规定, 现向贵局申请注销登记, 请予审核批准。申请人对所填写内容和提交材料承担法律责任。

申请企业名称: 湛江雷州桉树资源发展有限公司

注册号: 企独 粤港总字第 000871 号

法定代表人签字: _____

申请企业盖章:



2003 年 10 月 28 日

广东省工商行政管理局 制

2

外商投资企业注销登记 需提交的文件、证件清单

1. 注销登记申请书 原件 1 份；
2. 董事会决议 原件 1 份；
3. 清理债权债务完结的报告或清算组织负责清理债权债务
的文件 原件 1 份；
4. 批文(经营期限未到期的需提交) 原件 1 份；
5. 税务机关的完税证明 原件 1 份；
6. 海关出具的完税证明 原件 1 份。
7. 营业执照正、副本

申报注销经办人的姓名：祁志兰

申报注销经办人的电话：3385975

企业注销登记表

(申请人填写)

名称	湛江雷州 ¹⁵⁰⁰⁹ 发源环保科技有限公司
住所	湛江市人民大道中33号
法定代表人	陈德源
经营期限	自2014年一月廿九日至2014年一月廿八日
注销原因	未有项目运营, 运作
批准注销 部门及文号	
交回证照 印章记录	企业法人营业执照正本 (份; 企业法人营业执照副本 (份; 印章(公章、财务章、合同章等)各 枚
备注	

Ref. No.: _____

Registration No.: _____

**Application for Cancellation of Registration of
Foreign-Funded Enterprises**

A302

Zhanjiang Industry and Commerce Administration Bureau:

In accordance with the *Regulations of the People's Republic of China on Administration of Registration of Companies* and *Regulations of the People's Republic of China on Administration of Registration of Enterprises Legal Person*, the Company hereby applies to your Bureau for cancellation of registration. The applicant shall bear legal liability for the information and materials provided.

Name of enterprise: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Registration No.: Qi Du Yue Zhan Zong Zi No. 000571

Signature of legal representative: [signed]

Seal of enterprise: [chopped: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.]

28 October 2003

Prepared by Guangdong Provincial Industrial and Commercial
Administration Bureau

**Necessary Documents and Certificates Submitted for
Cancellation of Registration of Foreign-Funded Enterprises**

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 1. Application for Cancellation of Registration | One original; |
| 2. Resolution of the board of directors | One original; |
| 3. A report on settlement of creditor's rights and debts or a document from the liquidation organisation in charge of settlement of creditor's rights and debts | One original; |
| 4. Approval documents (those with unexpired business term shall be submitted) | One original; |
| 5. Duty-paid proof from the taxation authority | One original; |
| 6. Duty-paid proof issued by the customs | One original. |
| 7. An original and copy of business licence | |

Person in charge of application for cancellation: *Qi Zhilan*

Telephone of person in charge of application for cancellation: 3385975

Form for Cancellation of Registration of Enterprises

(to be filled out by the applicant)

Name	<i>Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.</i>
Domicile	<i>33 Middle Renmin Road, Zhanjiang City</i>
Legal Representative	<i>Chen Deyuan</i>
Term of Operation	<i>From 29 January 1994 to 28 January 2024</i>
Reason for cancellation of registration	<i>No project progress or operation</i>
Department approving cancellation of registration and document No.	
Records of licences and seals returned	One original of Business License of Enterprise as Legal Person; One copy of Business License of Enterprise as Legal Person; Seals (official seals, financial seals, seals for contract, etc.)
Remarks	

This is Exhibit "T" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.




A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

No. of Company 381246

For official use

FILED
 存案
 05 - 11 - 1996



For Registrar of Companies
 公司註冊處處長代理人

THE COMPANIES ORDINANCE
(Chapter 32)

Annual return of a PRIVATE company having a share capital

Pursuant to sections 107 and 360 of the Companies Ordinance

Annual return of SINO-WOOD PARTNERS, Limited*

for the year 1996 made up to the 24th September 1996 (being the anniversary of the date of incorporation of the company for that year).

*Delete "Limited" if not applicable.

1. ADDRESS AND BUSINESS NAMES

(a) Address of the registered office of the company

2408 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

(b) Business Names (other than the name of the company) under which the company carries on business

Nil

2. DATE OF INCORPORATION

24th September 1992

3. DATE OF LAST ANNUAL GENERAL MEETING

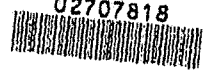
24th September 1995

Presented by:

SINO-WOOD PARTNERS, LIMITED

Presenter's reference:

02707818



For official use

05/11/1996	GG092216
Sh. Form :	AR
R	
07	\$95.00
CSH	\$95.00

Annual return of company no. 381246 made up to 24th September 1996

4. SUMMARY OF SHARE CAPITAL AND DEBENTURES

(a) Nominal Share Capital			
(1) Nominal share capital \$ 10,000.00	divided into:	No. of shares 10,000	Class Ordinary
		Value of each share HK\$1.00	
(b) Issued Share Capital and Debentures			
(2) Number of shares of each class taken up to the date of this return (which number must agree with the total shown in the list as held by existing members)		Number 10,000	Class Ordinary
(3) Number of shares of each class issued subject to payment wholly in cash		10,000	Ordinary
(4) Number of shares of each class issued as fully paid up for a consideration other than cash		Nil	Nil
(5) Number of shares of each class issued as partly paid up for a consideration other than cash and extent to which each such share is so paid up	Amount per share \$ Nil	Number Nil	Class Nil
(6) (a) Number of shares (if any) of each class issued at a premium (whether paid or payable wholly in cash or wholly for a consideration other than cash or any combination thereof) and the amount of such premium	Amount per share \$ Nil	Number Nil	Class Nil
(b) Total amount of premium paid or payable in cash on the issue of the shares specified in (a)			\$ Nil
(c) Total amount of premium paid or payable otherwise than in cash on the issue of the shares specified in (a)			\$ Nil
(7) Number of shares (if any) of each class issued at a discount			Nil
(8) Amount of discount on the issue of shares which has not been written off at the date of this return			\$ Nil
(9) Amount called up on number of shares of each class	Amount per share \$ 1.00	Number 10,000	Class Ordinary
(10) Total amount of calls received (Note 1)			\$ 10,000.00
(11) Total amount (if any) agreed to be considered as paid on number of shares of each class issued as fully paid up for a consideration other than cash	\$ Nil	Number Nil	Class Nil
(12) Total amount (if any) agreed to be considered as paid on number of shares of each class issued as partly paid up for a consideration other than cash	\$ Nil	Nil	Nil
(13) Total amount of calls unpaid			\$ Nil
(14) Total amount of sums (if any) paid by way of commission in respect of any shares or debentures			\$ Nil
(15) Total amount of the sums (if any) allowed by way of discount for any debentures since the date of the last return			\$ Nil
(16) Total number of shares of each class forfeited		Number Nil	Class Nil
(17) Total amount paid (if any) on shares forfeited			\$ Nil
(18) Total amount of shares for which share warrants to bearer are outstanding			\$ Nil
(19) Total amount of share warrants to bearer issued and surrendered respectively since the date of the last return	Issued		\$ Nil
	Surrendered		\$ Nil
(20) Number of shares comprised in each share warrant to bearer, specifying in the case of warrants of different kinds, particulars of each kind			Nil

5. TOTAL AMOUNT OF INDEBTEDNESS of the company in respect of all mortgages and charges which are required to be registered with the Registrar of Companies under the Companies Ordinance (Note 2) \$ Nil

Annual return of company no. 381246 made up to 24th September 1996

6. LIST OF PAST AND PRESENT MEMBERS (Notes 3 and 4)

Folio in register ledger containing particulars	Names and addresses (including, in the case of a Chinese member, his name in Chinese characters if these are contained in the register of members) and occupations or descriptions	Number of shares or amount of stock held by existing members at date of return (Notes 5 and 6)	Account of shares		Remarks
			Particulars of shares transferred since the date of the last return, or, in the case of the first return, of the incorporation of the company, by (a) persons who are still members, and (b) persons who have ceased to be members (Note 7)		
			Number (Note 6)	Date of registration of transfer	
			(a)	(b)	
	陳德源 Tak Yuen Chan Block 11, 11/F., Flat A, Cherry Mansion, Whampoa Garden, Hong Kong. Consultant	1			
	Sino-Forest Corporation Ste. 2004, Sun Life Ctr W. Twr., 200 King St. W., Tor. Ont., Canada. Corporation	9,999			
		10,000			

7. LIST OF PERSONS WHO CEASED TO HOLD PARTLY-PAID SHARES (Note 8)

Folio in register ledger containing particulars	Names and addresses (including, in the case of a Chinese member, his name in Chinese characters if these are contained in the register of members)	Particulars of shares transferred since the date of the last return or, in the case of the first return, of the incorporation of the company (Note 7)		Amount paid up on each such share	Remarks
		Number (Note 6)	Date of registration of transfer		
	N/A				

Annual return of company no. 381246 made up to 24th September 1996

8. SITUATION OF THE REGISTERS OF MEMBERS AND DEBENTURE HOLDERS, IF KEPT AT AN ADDRESS OTHER THAN THE REGISTERED OFFICE

(a) Register of members (Note 9) N/A
 (b) Register of debenture holders (Note 10) N/A

9. PARTICULARS OF DIRECTORS OF THE COMPANY AT THE DATE OF THIS RETURN (Note 11)

Name, any alias and nationality (Notes 12 and 13)	Address (Note 14)	Hong Kong identity card number, if any (Note 15)	Number and issuing country of any passport (Note 16)
陳惠玲 Chan Wai Ling Chinese	Block 37, Flat F, 3/F., Laguna City, Cha Kwo Ling Road, Kowloon.	E814778(0)	N/A
陳德源 Chan Tak Yuen Chinese	Flat A, 11/F., Block 11, Cherry Mansion, Whampoa Garden, Kowloon.	E459151(1)	N/A
潘家傑 Poon Kai Kit British	8th Floor, 91 Hennessy Road, Wanchai, Hong Kong.	H328031(6)	N/A

10. PARTICULARS OF THE SECRETARY OF THE COMPANY AT THE DATE OF THIS RETURN

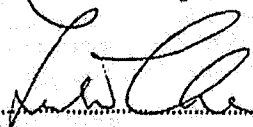
Name, any alias and nationality (Notes 12, 13 and 17)	Address (Notes 17 and 18)	Hong Kong identity card number, if any (Note 15)	Number and issuing country of any passport (Note 16)
陳惠玲 Chan Wai Ling Chinese	Block 37, Flat F, 3/F., Laguna City, Cha Kwo Ling Road, Kowloon.	E814778(0)	N/A

CERTIFICATION

(Delete Certificate B if the number of members of the company does not exceed 50).

A. We certify that the Company has not since the date of the last Annual Return (or, if this is the first Return made, since the date of incorporation of the Company) issued any invitation to the public to subscribe for any shares or debentures of the Company.

B. We certify that the excess of the number of members of the Company over 50 consists wholly of persons who under section 29(1)(b) of the Companies Ordinance, are not to be included in the reckoning of 50.

Signed  Director  Secretary

Annual return of a PRIVATE company having a share capital

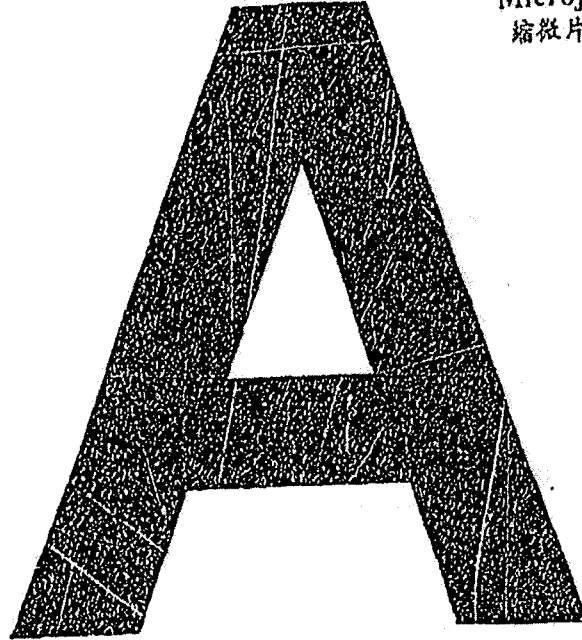
NOTES

1. Include payments on application and allotment and any sums received on shares forfeited.
2. Include also any mortgages and charges which would have been required to be so registered if created after 1 January 1912.
3. Give list of persons holding shares or stock in the company on the date of the most recent anniversary of the date of incorporation of the company. In the case of a Chinese member, give his name both in English and in Chinese characters if the latter are included in the register of members—section 95 of the Companies Ordinance refers. Show also those persons who have held shares or stock in the company at any time since the date of the last return, or if this is the company's first return, since the date of incorporation.
4. If the names in the list are not arranged in alphabetical order, an index sufficient to enable the name of any person to be easily found must be annexed.
5. The aggregate number of shares held by each member must be stated, and the aggregates must be added up so as to agree with the number of shares stated in the "summary of share capital and debentures" (paragraph 4) to have been taken up.
6. When the shares are of different classes these columns should be subdivided, so that the number of each class held, or transferred, may be shown separately. Where any shares have been converted into stock the amount of stock held by each member must be shown.
7. The date of registration of each transfer should be given as well as the number of shares transferred on each date. The particulars should be placed opposite the name of the transferor and not opposite that of the transferee, but the name of the transferee may be inserted in the "remarks" column immediately opposite the particulars of each transfer.
8. Give list of any persons who have disposed of any partly-paid up shares in the company since the date of the last annual return or, if this is the company's first return, since the date of incorporation. In the case of a Chinese member, give his name both in English and in Chinese characters if the latter are included in the register of members—section 95 of the Companies Ordinance refers.
9. Section 95 of the Companies Ordinance refers.
10. If any such register or part of any such register is kept outside Hong Kong, insert the address in Hong Kong where any duplicate thereof is kept.
11. If the columns give insufficient space the particulars must be continued on a separate sheet. "Director" includes any person who occupies the position of a director by whatsoever name called; and any person in accordance with whose directions or instructions the directors of the company are accustomed to act.
12. Full names, i.e. the present forename and surname, must be given, together with, in the case of a Chinese director or secretary, the Chinese characters therefor if such characters are contained in the register of directors or secretaries, as the case may be—section 158 of the Companies Ordinance refers. "Forename" includes a Christian or given name and "surname" in the case of a person usually known by a title different from his surname means that title.
13. Any former forenames and surname must also be given, together with, in the case of a Chinese director or secretary, the Chinese characters therefor if such characters are contained in the register of directors or secretaries, as the case may be—section 158 of the Companies Ordinance refers. Any alias must also be given.
 "Former forename" and "former surname" do not include—
 - (a) in the case of a person usually known by a title different from his surname, the name by which he was known previous to the adoption of or succession to the title; or
 - (b) in the case of any person, a former forename or surname where that forename or surname was changed or disused before the person bearing the name attained the age of 18 years or has been changed or disused for a period of not less than 20 years; or
 - (c) in the case of a married woman, the name or surname by which she was known previous to the marriage.
14. Usual residential address should be given. "Residential address" does not include an address at a hotel unless the director to whom it relates is stated, for the purposes of section 158 of the Companies Ordinance, to have no other permanent address nor does it include a P.O. Box number unless coupled with a residential address.
15.
 - (a) If the director or secretary has been issued with an identity card in Hong Kong under the provisions of the Registration of Persons Ordinance (Cap. 177), the number of the identity card should be given.
 - (b) If this column does not apply, please insert "not applicable".
16. If the director or secretary has given the number of a Hong Kong identity card, there is no need to give this information.
17. Where all the partners in a firm are joint secretaries, the name and principal office address of the firm alone may be stated.
18. Usual residential address should be given, or, in the case of a corporation, the registered or principal office.

Microjacket:

縮微片封套

1996



Company No: 381246

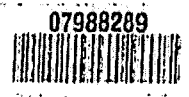
公司編號

Company Name: Sino-Wood Partners Limited

公司名稱 嘉漢木業集團有限公司

Note: It is claimed that the Annual Returns 1995 + 1996 appearing herein as document number(s) C5 & C6 filed on 14-8-1996 & 5-11-1996 is/are incorrect. Please see explanatory letter / statutory declaration and amended-return / notice filed on 20-11-2002

註：據報在 _____ 年 _____ 月 _____ 日存案而現編為第 _____ 號文件的 _____ 並不正確。請參閱 _____ 年 _____ 月 _____ 日存案的解釋信 / 法定聲明及經修訂的申報表 / 通知書。



Signed : (Miss K. L. LAU)
簽署 for Registrar of Companies
公司註冊處處長 (代行)

Date : 27-11-2002
日期



Companies Registry
公司註冊處



Form
表格

AR1

FILED

存案

26 - 09 - 1997

Annual Return
周年申報表

for Registrar of Companies
公司註冊處處長代理人

Company Number 公司編號

381246

1 Company Name 公司名稱

SINO-WOOD PARTNERS LIMITED

(Note 2) 2 Business Name 商業名稱

NIL

3 Type of Company 公司的類別 Please tick appropriate box 請在適當空格內加✓號

Private 私人 Others 其他

(Note 3) 4 Address of Registered Office 註冊辦事處地址

1409, GREAT EAGLE CENTRE, 23 HARBOUR ROAD,
WANCHAI, HONG KONG

(Note 4) 5 Date of Return 本申報表日期

Date of AGM 周年大會日期

24 09 1997
DD 日 MM 月 YYYY 年

which is
該日期為

Anniversary Date of Incorporation 成立為法團周年日期

Please tick appropriate box 請在適當空格內加✓號

6 Mortgages and Charges 按揭及押記

Total Amount outstanding at the date of this Return on all mortgages and charges which should be registered with the Registrar of Companies
截至本申報表日期，一切須向公司註冊處處長登記的按揭及押記的未償還總額

Presenter's Name and Address
提交人的姓名及地址

SAURDIC SECRETARIAL SERVICES LIMITED
FLAT B, 6TH FLOOR CRAWFORD TOWER,
89-101 JERVOIS STREET, CENTRAL,
HONG KONG

For Official Use
請勿填寫本欄

26/09/1997
Sh. Form :

EE112823
AR1L

R
Q7
CSH

\$95.00
\$95.00



04459940
1/97 to Specification No. 1/97

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1997
DD	MM	YYYY

Company Number 公司編號

381246

Page 2 第二頁

(Note 註 5) **7 Share Capital 股本** (As at the date of this Return 截至本申報表日期)

Class of Shares 股份類別	Authorised Share Capital 法定股本	Issued Share Capital 已發行股本		
	Total Nominal Value 總面值	No. of Shares Issued 已發行股份數目	Total Nominal Value of Shares Issued 已發行股份的 總面值	Total Paid up Value of Shares Issued 已發行股份的 已繳股款總值
ORDINARY	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00
Total 總值	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00

Enter below any changes to the structure of the company's share capital since the date of the last Return.
如公司股本的結構由上一份申報表日期以來曾經變動，請在下面填寫詳情。

Class of Shares 股份類別	Change 變動情況
N/A	

(Note 註 6) **8 Past and Present Members 過去及現在的成員** Please tick appropriate box 請在適當空格內加 ✓ 號

For company with a share capital 有股本的公司

- 1 There have been no changes since the Annual Return for _____ .
由遞交 _____ 年度周年申報表以來，成員並無任何變動。
- OR 或
- 2 A full list of members is enclosed (use Schedule 1).
隨附成員的詳細名單（使用附表一）。

For company without a share capital 無股本的公司

- 3 The number of members at the date of this Return is _____ .
於申報表日期的成員數目是 _____ 人。

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1997
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 3 第三頁

(Note 註 7) 9 Secretary 秘書 (Use Continuation Sheet A if joint secretaries 如屬聯名秘書，請用續頁 A 填列)

Name 姓名

CHAN	WAI LING
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

BLOCK 37, FLAT F, 3/F., LAGUNA CITY, CHA KWO LING ROAD, KOWLOON

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

E814778(0)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

(Note 註 7) 10 Directors 董事 (Use Continuation Sheet B if more than 3 directors 如超過三名董事，請用續頁 B 填列)
(Complete Continuation Sheet C for other directorships if the company is listed on Hong Kong Stock Exchange
如公司是在香港聯合交易所上市，請用續頁 C 填列其他董事職務)

1 Name 姓名

CHAN	WAI LING
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

BLOCK 37, FLAT F, 3/F., LAGUNA CITY, CHA KWO LING ROAD, KOWLOON

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

E814778(0)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director
董事Alternate Director to
替代董事

--

* Please tick the relevant box(es) 請在有關空位內加 ✓ 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1997
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 4 第四頁

10 Directors 董事 (cont'd 續上頁)

2 Name 姓名

CHAN	TAK YUEN
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

FLAT A, 11/F., BLOCK 11, CHERRY MANSION, WHAMPOA GARDEN, KOWLOON

Identification 身份證明

a Hong Kong Identity Card or Company Number 香港身份證號碼或公司編號

E459151(1)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport 海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director 董事 Alternate Director to 替代董事

--	--

3 Name 姓名

POON	KAI KIT
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

8TH FLOOR, 91 HENNESSY ROAD, WANCHAI, HONG KONG

Identification 身份證明

a Hong Kong Identity Card or Company Number 香港身份證號碼或公司編號

H328031(6)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport 海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

BRITISH

Capacity 身份*

Director 董事 Alternate Director to 替代董事

--	--

* Please tick the relevant box(es) 請在有關空格內加 ✓ 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1997
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 5 第五頁

(Note 註 8) **11 Registers** Address where the company's registers are kept (if not the same address as in Section 4)
 登記冊 公司備存登記冊的地址 (如並非備存於第 4 項的註冊辦事處內)

Register 登記冊	Address 地址

(Note 註 9) **12 Period Covered by Accounts Enclosed** 隨附帳目所涵蓋的會計結算始末日期
 (Except for Private Companies Limited by Shares 私人股份有限公司除外)

			To			
DD 日	MM 月	YYYY 年	至	DD 日	MM 月	YYYY 年


(Note 註 10) **13 Certificate** 證明書

(a) We certify that the information given in this Return (including Nil pages of Continuation Sheets and One pages of Schedules) is true to the best of our knowledge and belief.
 據我們所知及至誠相信，謹此證明本申報表內的資料 (包括 張橫頁及 張附表) 真確無訛。

(b) ~~We certify that the information given in this Return (including Nil pages of Continuation Sheets and One pages of Schedules) is true to the best of our knowledge and belief.~~
 我們證明公司由上一份周年申報表日期以來，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證，同時如成員數目於申報表日期超過五十，則根據公司條例第 29(1)(b) 條，所超出的成員不包括在所計算的五十名額內。

* Only relevant to private companies. Delete if not applicable.
 * 僅與私人公司有關。如不適用，請刪去。

Director 董事

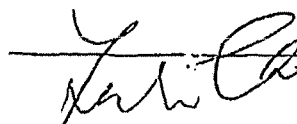


 Signed 簽名

CHAN TAK YUEN

Name 姓名

Secretary 秘書



 Signed 簽名

CHAN WAI LING

Name 姓名

Date 日期: 24 SEP 1997



Companies Registry

公司註冊處

Form
表格

AR1

Annual Return

周年申報表

(Schedule 1 附表一)

Date of Return 本申報表日期

24	09	1997
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Details of Members 成員詳情

(See Section 7 of the main form for details of any change to the structure of the Company's Share Capital since the date of the last Return)

(關於由上一份申報表日期以來公司股本結構的任何變動詳情，請參閱表格第 7 項)

Share Class 股份類別 ORDINARY

Name 姓名	Address 地址	Shares 股份		Remarks 備註	
		Current Holding (Note 1) 現時持有量 (註 1)	Transferred 轉讓 (Note 2 註 2)		
			Number 數目		Date 日期
CHAN TAK YUEN CONSULTANT	BLOCK 11, 11/F., FLAT A, CHERRY MANSION, WHAMPOA GARDEN, HONG KONG	1			
SINO-FOREST CORPORATION CORPORATION	STE. 2004, SUN LIFE CTR W. TWR., 200 KING ST. W., TOR. ONT., CANADA.	9,999			
Total 總數		10,000			

Notes 註:

- The total shares in the 'Current Holding' for each class of share must agree with the total for that class in Section 7 of the Return.
每類別股份的「現時持有量」總數必須與申報表第 7 項所填該類別的總數相符。
- The number of shares transferred since the last Return should be shown for each existing or ex-member.
應說明每名現任成員或前任成員由上次申報以來所轉讓的股份數目。

Microjacket: 縮微片封套 1997



Company No: 381246

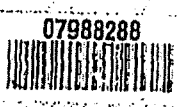
公司編號

Company Name: Sino-Wood Partners Limited

公司名稱 嘉漢木業集團有限公司

Note: It is claimed that the Annual Return 1997 appearing herein as document number(s) C14 filed on 26-9-1997 is /-are incorrect. Please see explanatory letter /-statutory declaration and amended-return/-notice filed on 20-11-2002

註： 據報在 年 月 日存案而現編為第 號 文件的 並不正確。請參閱 年 月 日存案的解釋信 / 法定聲明及經修訂的申報表 / 通知書。



Signed : (Miss K. E. LAU)
簽署 for Registrar of Companies
公司註冊處處長
(代行)

Date : 27-11-2002
日期



Form 表格 AR1

Companies Registry
公司註冊處

FILED
存案

30-10-1998

Annual Return
周年申報表

for Registrar of Companies
公司註冊處處長代理人

Company Number 公司編號

381246

1 Company Name 公司名稱

SINO-WOOD PARTNERS, LIMITED

(Note 註 2)

2 Business Name 商業名稱

NIL

3 Type of Company 公司的類別 Please tick appropriate box 請在適當空格內加✓號

Private 私人 Others 其他

(Note 註 3)

4 Address of Registered Office 註冊辦事處地址

1409, GREAT EAGLE CENTRE, 23 HARBOUR ROAD,
WANCHAI, HONG KONG

(Note 註 4)

5 Date of Return 本申報表日期

Date of AGM 周年大會日期

24 09 1998
DD 日 MM 月 YYYY 年

which is
該日期為

Anniversary Date of Incorporation 成立為法團周年日期

Please tick appropriate box 請在適當空格內加✓號

6 Mortgages and Charges 按揭及押記

Total Amount outstanding at the date of this Return on all mortgages and charges which should be registered with the Registrar of Companies
截至本申報表日期，一切須向公司註冊處處長登記的按揭及押記的未償還總額

Presenter's Name and Address
提交人的姓名及地址

COMMON VOTE NOMINEES LIMITED
FLAT B, 5TH FLOOR CRAWFORD TOWER,
89-101 JERVOIS STREET, CENTRAL
HONG KONG.



For Official Use
請勿填寫本欄

30/10/1998
Sh. Form 1

DD196711
AR1L

R
07
CHK

\$105.00
\$105.00

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1998
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 2 第二頁

(Note 註 5) 7 Share Capital 股本 (As at the date of this Return 截至本申報表日期)

Class of Shares 股份類別	Authorised Share Capital 法定股本	Issued Share Capital 已發行股本		
	Total Nominal Value 總面值	No. of Shares Issued 已發行股份數目	Total Nominal Value of Shares Issued 已發行股份的 總面值	Total Paid up Value of Shares Issued 已發行股份的 已繳股款總值
ORDINARY	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00
Total 總值	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00

Enter below any changes to the structure of the company's share capital since the date of the last Return.
如公司股本的結構由上一份申報表日期以來曾經變動，請在下面填寫詳情。

Class of Shares 股份類別	Change 變動情況
N/A	

(Note 註 6) 8 Past and Present Members 過去及現在的成員 Please tick appropriate box 請在適當空格內加 ✓ 號

For company with a share capital 有股本的公司

- 1 There have been no changes since the Annual Return for _____ .
由遞交 _____ 年度周年申報表以來，成員並無任何變動。
- OR 或
- 2 A full list of members is enclosed (use Schedule 1).
隨附成員的詳細名單（使用附表一）。

For company without a share capital 無股本的公司

- 3 The number of members at the date of this Return is _____ .
於申報表日期的成員數目是 _____ 人。

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1998
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 3 第三頁

(Note 註 7) 9 Secretary 秘書 (Use Continuation Sheet A if joint secretaries 如擬聯名註冊，請用續頁 A 填納)

Name 姓名

CHAN	WAI LING
Surname 姓氏	Other names 名字

--	--

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

BLOCK 37, FLAT F, 3/F., LAGUNA CITY, CHA KWO LING ROAD, KOWLOON

Identification 身份證明

a Hong Kong Identity Card or Company Number

香港身份證號碼或公司編號

E814778(0)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport 海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

(Note 註 7) 10 Directors 董事 (Use Continuation Sheet B if more than 3 directors 如超過三名董事，請用續頁 B 填納)
(Complete Continuation Sheet C for other directorships if the company is listed on Hong Kong Stock Exchange 如公司是在香港聯合交易所上市，請用續頁 C 填納其他董事職務)

1 Name 姓名

CHAN	WAI LING
Surname 姓氏	Other names 名字

--	--

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

BLOCK 37, FLAT F, 3/F., LAGUNA CITY, CHA KWO LING ROAD, KOWLOON

Identification 身份證明

a Hong Kong Identity Card or Company Number

香港身份證號碼或公司編號

E814778(0)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport 海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director 董事

Alternate Director to 替代董事

--

* Please tick the relevant box(es) 請在有關空格內加 ✓ 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1998
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 4 第四頁

10 Directors 董事 (cont'd 續上頁)

2 Name 姓名

CHAN	TAK YUEN
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

FLAT A, 11/F., BLOCK 11, CHERRY MANSION, WHAMPOA GARDEN, KOWLOON

Identification 身份證明

a Hong Kong Identity Card

or Company Number
香港身份證號碼或公司編號

E459151(1)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director
董事

Alternate Director to
替代董事

--

3 Name 姓名

POON	KAI KIT
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

8TH FLOOR, 91 HENNESSY ROAD, WANCHAI, HONG KONG

Identification 身份證明

a Hong Kong Identity Card

or Company Number
香港身份證號碼或公司編號

H328031(6)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

BRITISH

Capacity 身份*

Director
董事

Alternate Director to
替代董事

--

* Please tick the relevant box(es) 請在有關空格內加 ✓ 號

Annual Return 周年申報表

Date of Return: 本申報表日期

24	09	1998
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 5 第五頁

(Note 註 9) **11 Registers** Address where the company's registers are kept (If not the same address as in Section 4)
 登記冊 公司備存登記冊的地址 (如並非備存於第 4 項的註冊辦事處內)

Register 登記冊 Address 地址

--	--

(Note 註 9) **12 Period Covered by Accounts Enclosed** 隨附帳目所涵蓋的會計結算始末日期
 (Except for Private Companies Limited by Shares 私人股份有限公司除外)

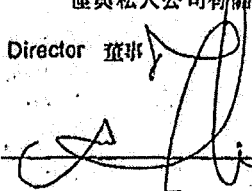
	To		至	
DD 日		MM 月		YYYY 年

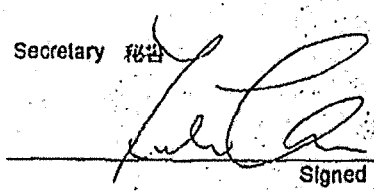
(Note 註 10) **13 Certificate** 證明書

(a) We certify that the information given in this Return (including NIL pages of Continuation Sheets and NIL pages of Schedules) is true to the best of our knowledge and belief.
 據我們所知及至誠相信，謹此證明本申報表內的資料 (包括 張續頁及 張附表) 真實無訛。

(b) We certify that the company has not, since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 at the date of this Return, the excess are persons who under Section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.
 我們證明公司由上一份周年申報表日期以來，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證，同時如成員數目於申報表日期超過五十，則根據公司條例第 29(1)(b) 條，所超出的成員不包括在所計算的五十名額內。

* Only relevant to private companies. Delete if not applicable.
 * 僅與私人公司有關。如不適用，請刪去。

Director 董事 
 _____ Signed 簽名
 CHAN TAK YUEN
 _____ Name 姓名

Secretary 秘書 
 _____ Signed 簽名
 CHAN WAI LING
 _____ Name 姓名

Date 日期: 30 OCT 1998



Companies Registry
公司註冊處

Form
表格 **AR1**

Annual Return
周年申報表
(Schedule 1 附表一)

Date of Return 本申報表日期

24 09 1998

DD 日 MM 月 YYYY 年

Company Number 公司編號

381246

Details of Members 成員詳情

(See Section 7 of the main form for details of any change to the structure of the Company's Share Capital since the date of the last Return)

(關於由上一份申報表日期以來公司股本結構的任何變動詳情，請參閱表格第7項)

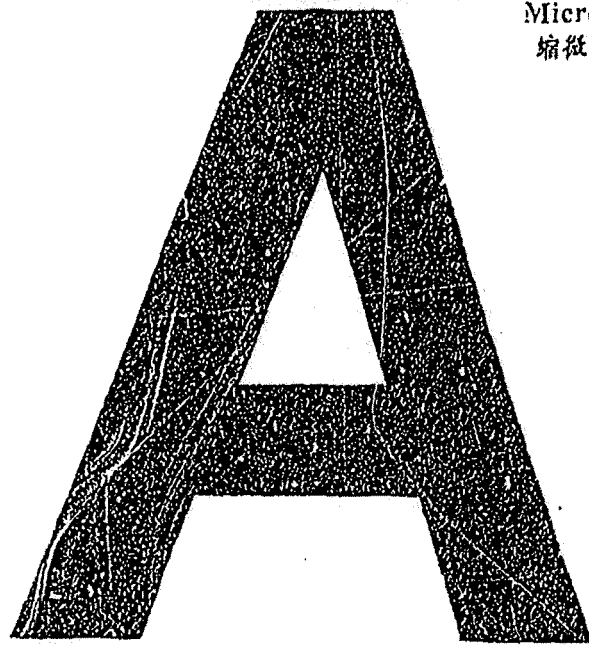
Share Class 股份類別 ORDINARY

Name 姓名	Address 地址	Shares 股份		Remarks 備註
		Current Holding (Note 1) 現時持有量 (註1)	Transferred (Note 2 註2) Number 數目 Date 日期	
CHAN TAK YUEN CONSULTANT	BLOCK 11, 11/F., FLAT A, CHERRY MANSION, WHAMPOA GARDEN, HONG KONG	1		
SINO-FOREST CORPORATION CORPORATION	STE. 2004, SUN LIFE CTR W. TWR., 200 KING ST. W., TOR. ONT. CANADA.	9,999		
Total 總數		10,000		

Notes 註:

- The total shares in the 'Current Holding' for each class of share must agree with the total for that class in Section 7 of the Return.
每類別股份的「現時持有量」總數必須與申報表第7項所填該類別的總數相符。
- The number of shares transferred since the last Return should be shown for each existing or ex-member.
應說明每名現任成員或前任成員由上次申報以來所轉讓的股份數目。

Microjacket: 1998
縮微片封套



Company No: 381246

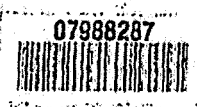
公司編號

Company Name: Sino-Wood Partners Limited

公司名稱 嘉漢木業集團有限公司

Note: It is claimed that the Annual Return 1998 appearing herein as document number(s) C16 filed on 30-10-1998 is /are incorrect. Please see explanatory letter /-statutory declaration and -amended return /-notice filed on 20-11-2002

註： 據報在 年 月 日存案而現編為第 號 文件的 並不正確。請參閱 年 月 日存案的解釋信 / 法定聲明及經修訂的申報表 / 通知書。



Signed : Miss K. L. LAM
簽署 for Registrar of Companies
公司註冊處處長
(代行)

Date : 27-11-2002
日期



Companies Registry
公司註冊處

FILED

存案

22-10-1999

for Registrar of Companies,
公司註冊處處長代理人

Form
表格

AR1



Annual Return
周年申報表

Company Number 公司編號

381246

1 **Company Name 公司名稱**

SINO-WOOD PARTNERS, LIMITED
嘉漢木業集團有限公司

(Note 註 2) 2 **Business Name 商業名稱**

NIL

3 **Type of Company 公司的類別** Please tick appropriate box 請在適當空格內加✓號

Private 私人 Others 其他

(Note 註 3) 4 **Address of Registered Office 註冊辦事處地址**

1409 GREAT EAGLE CENTRE, 23 HARBOUR ROAD, WANCHAI, HONG KONG.

(Note 註 4) 5 **Date of Return 本申報表日期**

Date of AGM 周年大會日期

24	09	1999
DD 日	MM 月	YYYY 年

Which is
該日期為

Anniversary Date of Incorporation 成立為法團周年日期

Please tick appropriate box 請在適當空格內加✓號

6 **Mortgages and Charges 按揭及押記**

Total Amount outstanding at the date of this Return on all mortgages and charges which should be registered with the Registrar of Companies

截至本申報表日期，一切須向公司註冊處處長登記的按揭及押記的未償還總額

[Empty box for mortgage and charges details]

Presenter's Name and Address

提交人的姓名及地址

COMMON VOTE NOMINEES LIMITED
FLAT B, 5/F., CRAWFORD TOWER,
99-101 JERVOIS STREET,
CENTRAL, HONG KONG

For Official Use

請勿填寫本欄

22/10/1999
Sh. Form :

16270071
AR1

R
07
CHK

\$105.00
\$105.00

05935920



97 to Specification No. 1/97
號的修訂編號第 1/97 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1999
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 2 第二頁

(Note 註 5) 7 Share Capital 股本 (As at the date of this Return 截至本申報表日期)

Class of Shares 股份類別	Authorised Share Capital 法定股本	Issued Share Capital 已發行股本		
	Total Nominal Value 總面值	No. of Shares Issued 已發行股份數目	Total Nominal Value of Shares Issued 已發行股份的 總面值	Total Paid up Value of Shares Issued 已發行股份的 已繳股款總值
ORDINARY	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00
Total 總值	HK\$10,000.00	10,000	HK\$10,000.00	HK\$10,000.00

Enter below any changes to the structure of the company's share capital since the date of the last Return.
如公司股本的結構由上一份申報表日期以來曾經變動，請在下面填寫詳情。

Class of Shares 股份類別	Change 變動情況
N/A	

(Note 註 6) 8 Past and Present Members 過去及現在的成員 Please tick appropriate box 請在適當空格內加 ✓ 號

For company with a share capital 有股本的公司

1 There have been no changes since the Annual Return for 1998 .
由遞交 1998 年度周年申報表以來，成員並無任何變動。

OR 或

2 A full list of members is enclosed (use Schedule 1).
隨附成員的詳細名單（使用附表一）。

For company without a share capital 無股本的公司

3 The number of members at the date of this Return is _____ .
於申報表日期的成員數目是 _____ 人。

Annual Return 周年申報表

Date of Return 本年報表日期

24	09	1999
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 3 第三頁

(Note 註 7) **9 Secretary 秘書** (Use Continuation Sheet A if joint secretaries 如屬聯名秘書, 請用續頁 A 填妥)

Name 姓名

CHAN	WAI LING
------	----------

Surname 姓氏

Other names 名字

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

FLAT F, 3/F., BLK. 37, LAGUNA CITY, CHA KWO LING, KOWLOON

Identification 身份證明

a Hong Kong Identity Card
or Company Number

香港身份證號碼或公司編號

E814778(0)

I.D. Card Number 身份證號碼

Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼

Issuing Country 簽發國家

Nationality 國籍

CHINESE

(Note 註 7) **10 Directors 董事** (Use Continuation Sheet B if more than 3 directors 如超過三名董事, 請用續頁 B 填妥)
(Complete Continuation Sheet C for other directorships if the company is listed on Hong Kong Stock Exchange
如公司是在香港聯合交易所上市, 請用續頁 C 填寫其他董事職務)

1 Name 姓名

CHAN	WAI LING
------	----------

Surname 姓氏

Other names 名字

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

FLAT F, 3/F., BLK. 37, LAGUNA CITY, CHA KWO LING, KOWLOON

Identification 身份證明

a Hong Kong Identity Card
or Company Number

香港身份證號碼或公司編號

E814778(0)

I.D. Card Number 身份證號碼

Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼

Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director
董事Alternate Director to
替代董事

* Please tick the relevant box(es) 請在有關空格內加 ✓ 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1999
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 4 第四頁

10 Directors 董事 (cont'd 續上頁)

2 Name 姓名

CHAN	TAK YUEN
------	----------

Surname 姓氏

Other names 名字

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

FLAT A, 11/F., BLK. 11, CHERRY MANSION, WHAMPOA
GARDEN, KOWLOON

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

E459151(1)

I.D. Card Number 身份證號碼

Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼

Issuing Country 簽發國家

Nationality 國籍

CHINESE

Capacity 身份*

Director
董事Alternate Director to
替代董事

3 Name 姓名

POON	KAI KIT
------	---------

Surname 姓氏

Other names 名字

Alias (if any) 別名 (如有的話)

Previous Names 前用姓名

Address 地址

8TH FLOOR, 91 HENNESSY ROAD, HONG KONG.

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

H328031(6)

I.D. Card Number 身份證號碼

Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼

Issuing Country 簽發國家

Nationality 國籍

BRITISH

Capacity 身份*

Director
董事Alternate Director to
替代董事

*Please tick the relevant box(es) 請在行內空格內加 ✓ 號

Annual Return 周年申報表

Date of Return 本申報表日期

24	09	1999
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Page 5 第五頁

(Note 註 8) **11 Registers** Address where the company's registers are kept (If not the same address as in Section 4)
 登記冊 公司備存登記冊的地址 (如並非備存於第 4 項的註冊辦事處內)

Register 登記冊	Address 地址

(Note 註 9) **12 Period Covered by Accounts Enclosed** 隨附賬目所涵蓋的會計結算始末日期
 (Except for Private Companies Limited by Shares 私人股份有限公司除外)

DD 日	MM 月	YYYY 年	To 至	DD 日	MM 月	YYYY 年
------	------	--------	---------	------	------	--------

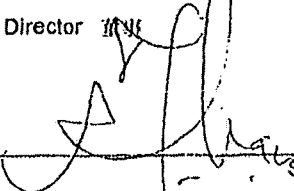
(Note 註 10) **13 Certificate** 證明書

(a) We certify that the information given in this Return (including ONE pages of Continuation Sheets and NIL pages of Schedules) is true to the best of our knowledge and belief.
 據我們所知及至誠相信，謹此證明本申報表內的資料 (包括 張續頁及 張附表) 真確無訛。

* (b) We certify that the company has not, since the date of the last Annual Return issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 at the date of this Return, the excess are persons who under Section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.
 我們證明公司由上一份周年申報表日期以來，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證，同時如成員數目於申報表日期超過五十，則根據公司條例第 29(1)(b) 條，所超出的成員不包括在所計算的五十名額內。

* Only relevant to private companies. Delete if not applicable.
 * 僅與私人公司有關。如不適用，請刪去。

Director 董事

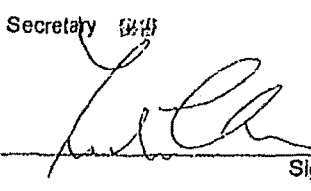


Signed 簽名

CHAN TAK YUEN

Name 姓名

Secretary 秘書



Signed 簽名

CHAN WAI LING

Name 姓名

Date 日期: 20 OCT 1999



Companies Registry
公司註冊處

Form
表格 **AR1**

Annual Return
周年申報表
(Continuation Sheet B 續頁 B)

Date of Return 本申報表日期

24	09	1999
DD 日	MM 月	YYYY 年

Company Number 公司編號

381246

Details of Directors (Section 10 of main form) 董事詳情 (表格第 10 項)

1 Name 姓名

VAN OPPEN	DAVID BRYCE
Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

2108, GLOUCESTER TOWER, THE LANDMARK, 11 PEDDER ST., C., H. K.

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

L000867(5)	
I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

USA

Capacity 身份*

Director 董事 Alternate Director to 替代董事

2 Name 姓名

Surname 姓氏	Other names 名字

Alias (if any) 別名 (如有的話)	Previous Names 前用姓名

Address 地址

--

Identification 身份證明

a Hong Kong Identity Card
or Company Number
香港身份證號碼或公司編號

I.D. Card Number 身份證號碼	Company Number 公司編號

b Overseas Passport
海外護照

Number 號碼	Issuing Country 簽發國家

Nationality 國籍

--

Capacity 身份*

Director 董事 Alternate Director to 替代董事

* Please tick the relevant box(es) 請在有關空格內加 ✓ 號

Microjacket: 1999
縮微片封套

A

Company No: 381246

公司編號

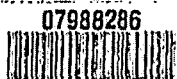
Company Name: Sino-Wood Partners Limited

公司名稱 嘉漢木業集團有限公司

Note: It is claimed that the Annual Return 1999 appearing herein as document number(s) C18 filed on 22-10-1999 is / are incorrect. Please see explanatory letter / ~~statutory declaration~~ and amended return / ~~notice~~ filed on 20-11-2002.

註： 據報在 年 月 日存案而現編為第 號
文件的 並不正確。請參閱 年
月 日存案的解釋信 / 法定聲明及經修訂的申報表 /
通知書。

R



Signed : (Jan Miss K. L. LAU)
簽署 for Registrar of Companies
公司註冊處處長
(代行)

Date : 27-11-2002
日期



CR 2000 C 9

Form 表格 AR3

Companies Registry
公司註冊處

Annual Return - Certificate of No Change
周年申報表 - 資料並無改變的證明書
(Private company having a share capital
有股本的私人公司)

Company Number 公司編號

381246

1 Company Name 公司名稱

SINO-WOOD PARTNERS, LIMITED
嘉漢木業集團有限公司

(Note 註 2)

2 Certificate 證明書

I certify in accordance with section 107 (5) & (6) of the Companies Ordinance that -
本人按照公司條例第 107(5)及(6)條證明 -

(a) the date at which the last Annual Return pursuant to section 107(1) of the said Ordinance was made
up by the company was 24TH SEPTEMBER, 1999, and

本公司依據上述條例第 107(1) 條製備的最近一份周年申報表的日期是
_____ 年 _____ 月 _____ 日，及

(b) as at 24TH SEPTEMBER, 2000 (being the date of the anniversary of the date
of incorporation of the company for the year 2000) there had been

no change since the date specified in (a) in the information contained in the said last Annual Return.
自(a)段所指明的日期起，至 _____ 年 _____ 月 _____ 日

(即 _____ 年度本公司成立為法團之日的周年日)為止，上述的最近一份周年申報表所載的資料並無任何改變。

Signed 簽名:

(Name 姓名): CHAN TAK YUEN
Director 董事 / Secretary 秘書

Date 日期: 25 SEP 2000

* Delete whichever does not apply 請刪去不適用者

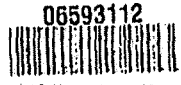
Presenter's Name and Address
提交人的姓名及地址

COMMON VOTE NOMINEES LIMITED
FLAT B, 5/F., CRAWFORD TOWER,
99-101 JERVOIS STREET,
CENTRAL, HONG KONG

For Official Use
請勿填寫本欄


26/09/2000 BB347456
Sh. Form : AR3

R
07 \$105.00
CHQ \$105.00



First revision to Specification No. 1/98 (Amendment No. 1/2000)
指明用表格第 1/98 號的修訂表格第 1/2000 號

This is Exhibit "U" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

核发《企业法人营业执照》通知单

南翔

料

该企业经核准登记发给企业法人营业执照，特此通知。

企业名称	邱志凤翔木材批发市场	
住所	嘉定区南翔镇中翔路88	
法定代表人	李金山	
注册资金	300万 (实: 107万 流: 153万)	
经济性质	集体联营	
经营方式	批发: 零售 租赁	
经营范围	主营	木材 木制品 钢材 有色金属
	兼营	招商 租赁
执照字号	注册号	171189100
发照日期	年	1997年7月10日

李金山
 电话: 12911292
 12911292

嘉定区
 工商行政管理局
 1997年7月10日

Notice for approved license of company

Nanxiang 南翔:

The company registration had been approved and a license was granted.

Company name	Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场	
Address	No. 8, Fengxiang Road, Nanxiang Town, Jiading District 嘉定区南翔镇丰翔路 8 号	
Legal representative	Li Jinshan 李金山	
Registered capital	RMB3 million Including: Fixed capital RMB1.47 million & Current Capital RMB1.53 million	
Company type	国集联营 translated as: Joint Venture enterprise by State-Owned Enterprise and Collective enterprise	
Business methods	wholesale, retails, and service 批发, 零售, 服务	
Business scope	Major business 主营	Timber, wood prdoucts, steel, nonferrous metal 木材, 木制品, 钢材, 有色金属
	Concurrently engaged in 兼营	Merchant, leasing 招商, 租赁
Registration No.	171189100	
Date of issuing	1997-July-9	

Jiading District Administration Bureau of Industry and Commerce 嘉定区工商行政管理局
(stamp)

1997 year July month 9 day

This is Exhibit "V" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

企业主要人员基本情况表

企业名称: 上海南翔木材批发市场 人事管理部门(公章) 年 月 日

姓名	性别	年龄	文化程度	技术职称	拟任部门职务	电话	身份证号码	原工作单位及职务
李金山	男	58	大学		木材部 付总经理	58913421	3101084043140	上海市联合批发市场 付总经理
魏玉洁	女	41	高中		木材部 付总经理	59103818	3102025601581	上海市联合批发市场 付总经理
潘桂清	女	62	大学		付总经理	5883886	31010631070237	上海利业人造板有限公司 付总经理
蔡文琪	女	65	高中		付总经理	59102205	31022233011601	上海市联合批发市场 付总经理
关仙芳	女	62	小学		木材部 付经理	59123235	3102236020804	上海市联合批发市场 综合管理部付经理

Key Management Staff

Company name: Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场

Human Resources Department

Date:

Name	Gender	Age	Education	Position	PRC ID	Former employer and position
Li Jinshan 李金山	Male	58	College	General Manager	310108401231401	Shanghai Plywood Market 上海胶合板市场 general manager
Bao Weibiao 鲍卫标	Male	41	Senior high school	Vice general manager	31022256015081	Shanghai Plywood Market 上海胶合板市场 Vice general manager
Pan Deqing 潘德清	Male	62	College	Vice general manager	310106340702327	Shanghai Liya Artificial Board Co., Ltd. 上海利亚人造板有限公司 General manager
Cai Wenqi 蔡文琪	Male	65	Senior high school	Vice general manager	310222330316001	Shanghai Plywood Market 上海胶合板市场 General manager Assistant
Wu Nafang 吴纳芳 	Male	62	Primary school	Manager of business department	31022236020804	Shanghai Plywood Market 上海胶合板市场 Vice manager of general service department

This is Exhibit "W" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



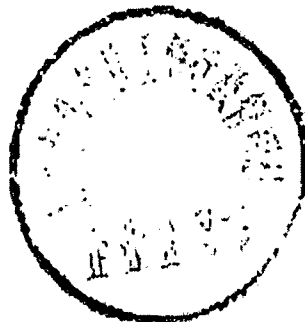
A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

核发《营业执照》通知单

该企业变更登记经核准，发给营业执照特此通知。

企业名称	上海金翔木材批发市场
企业地址	上海市嘉定区南翔镇丰裕路8号
法定代表人	潘德清
资金数额	300 万人民币
企业类型	联营企业(法人)
经营范围	木材, 木制品, 钢材, 有色金属, 招商, 租赁
经营方式	批发, 零售, 服务
经营期限	1997年07月09日 至 2002年07月08日
注册号	3101141011891
核准日期	1998年04月02日



嘉定区工商局

1998年04月02日

Notice for approved Business Registration License

The changes had been approved and a business registration license was granted.

Company name	Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场
Address	No. 8, Fengxiang Road, Nanxiang Town, Jiading District, Shanghai City 上海市嘉定区南翔镇丰翔路8号
Legal representative	Pan Deqing 潘德清
Registered capital	RMB3 million
Company type	Joint Venture by companies 联营企业 (法人)
Business scope	timber, wood products, steel, nonferrous metal, Merchant, leasing 木材, 木制品, 钢材, 有色金属, 招商, 租赁
Business mode	Wholesale, retail and service
Business duration	From 1997-07-09 to 2002-07-08
Registration No.	3101141011891
Date of approval	1998-April-02

Jiading Administration Bureau of Industry and Commerce 嘉定区工商局 (stamp)
1998-April-02

核发《营业执照》通知单

A 276

该企业变更登记经核准，发给营业执照特此通知。

企业名称	上海金翔木材批发市场
企业地址	上海市嘉定区南翔镇丰翔路8号
法定代表人	鲍卫标
资金数额	300.0000 万人民币
企业类型	国有与集体联营企业(非公司法人)
经营范围	木材、木制品、钢材、有色金属、招商、租赁。
经营方式	批发、零售、服务
经营期限	1997年07月09日 至
注册号	3101141011891
核准日期	2002年08月01日

上海市工商行政管理局 嘉定分局

Notice for approved Business Registration License

The changes had been approved and a Business Registration License was granted.

Company name	Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场
Address	No. 8, Fengxiang Road, Nanxiang Town, Jiading District, Shanghai City 上海市嘉定区南翔镇丰翔路 8 号
Legal representative	Bao Weibiao 鲍卫标
Registered capital	RMB3 million
Company type	Joint Venture by SOE and Collective enterprise 国有与集体联营企业（非公司法人）
Business scope	timber, wood products, steel, nonferrous metal, Merchant, leasing 木材, 木制品, 钢材, 有色金属, 招商, 租赁
Business mode	Wholesale, retail and service
Business duration	From 1997-07-09 to --
Registration No.	3101141011891
Date of approval	2002-August-01

Shanghai Administration Bureau of Industry and Commerce Jiading Branch
上海市工商行政管理局嘉定分局
2002-August-01

核发《营业执照》通知书

A

该企业变更登记经核准，发给营业执照特此通知。

278

企业名称	上海金翔木材批发市场
企业地址	上海市嘉定区南翔镇丰翔路8号
法定代表人	蔡学麟
资金数额	300.0000 万人民币
企业类型	国有与集体联营企业(非公司法人)
经营范围	木材，木制品，钢材，有色金属，招商，租赁（涉及许可经营的凭许可证经营）**。
经营方式	批发,零售,服务
经营期限	1997年07月09日 至
注册号	3101141011891
核准日期	2003年11月20日

上海市工商行政管理局 嘉定分局

2003年11月20日

Notice for approved Business Registration License

The changes had been approved and a Business Registration License was granted.

Company name	Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场
Address	No. 8, Fengxiang Road, Nanxiang Town, Jiading District, Shanghai City 上海市嘉定区南翔镇丰翔路 8 号
Legal representative	Cai Xuelin 蔡学麟
Registered capital	RMB3 million
Company type	Joint Venture by SOE and Collective enterprise 国有与集体联营企业（非公司法人）
Business scope	timber, wood products, steel, nonferrous metal, Merchant, leasing 木材, 木制品, 钢材, 有色金属, 招商, 租赁
Business mode	Wholesale, retail and service
Business duration	From 1997-07-09 to --
Registration No.	3101141011891
Date of approval	2003-November-20

Shanghai Administration Bureau of Industry and Commerce Jiading Branch
上海市工商行政管理局嘉定分局
2003-November-20

This is Exhibit "X" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

甲方：上海金森物资贸易公司

乙方：上海南翔工业开发区实业有限公司

上海金翔木材批发市场有上海昌翔实业有限公司（现更名为上海南翔工业开发区实业有限公司）与上海金森物资贸易公司（该公司于2005年2月4日已吊销执照）联合创办。

根据上海地区建材市场的实际情况和双方企业的发展变化，甲方将重新择业发展，已于2000年1月15日上海金翔木材批发市场二届三次董事会上已退出联营（详见《决议》），但一直没有办理相关手续，现决定解除甲乙双方于1997年5月3日签订的《联营协议书》，并得到双方上级主管单位的确认。

1、上海金森物资贸易公司的50万元投资款因退出联营已退出，所以上海金森物资贸易公司不承担金翔市场自开业以来的所有债权债务。

2、上海南翔工业开发区实业有限公司愿根据金翔市场发展接受上海金森物资贸易公司要求退出的状况，并愿意接受金翔市场自开业以来的所有债权债务。

甲方：上海金森物资贸易公司 乙方：上海南翔工业开发区实业有限公司

化东林

甲方上级主管单位盖章

乙方上级主管单位盖章

张... 2005.8.8

张... 2005年8月6日

Agreement to Terminate Joint Venture Business

Party A: Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司

Party B: Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd.
上海南翔工业开发区实业有限公司

Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场 was a JV business, co-invested by Shanghai Changxiang Industrial Co., Ltd. 上海昌翔实业有限公司 (now renamed as Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司) and Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 (the company was revoked on 2005-February-4).

According to the actual situation of the construction material market in Shanghai and the two investors' business development, Party A (Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司) made its new business choice to terminate its investment in Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场 during the third directors' meeting of the second term on January 15, 2000 (see resolution). However, the termination procedures have not been registered yet. The two parties have now decided to terminate their joint venture business agreement which was signed on 1997-May-3, and this has been confirmed by the high level supervisors of both parties.

1. Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 has withdrew its investment of RMB500,000 from Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场, and would not undertake any liabilities of Jinxiang Timber Wholesale Market since its establishment.
2. Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司 accepts the withdrawal of Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 and undertakes all liabilities of Jinxiang Timber Wholesale Market since its establishment.

Party A: Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 (stamp)
Signed by Ji Zonglin 纪宗林

Party A's high level supervisors (stamp)
Signed by Zhang 张 on August 8, 2005

Party B: Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd.
上海南翔工业开发区实业有限公司 (stamp)

Party B's high level supervisors (stamp)
Signed by Zhang Jinde 张锦德 On August 6, 2005

This is Exhibit "Y" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

嘉翔府[2005]第63号

关于上海金翔木材批发市场变更 经济性质和注册资本的报告

上海市工商行政管理局嘉定分局：

根据上海地区建材市场发展情况和双方企业的变化，上海金翔木材批发市场的联合创办方，即上海金森物资贸易公司已退出上海金翔木材批发市场并重新择业发展。

鉴于以上情况我镇同意南翔工业开发区实业有限公司独资续办上海金翔木材批发市场，其经济性质和注册资本变更后的情况如下：

- 1、法人代表：蔡学麟；
 - 2、经济性质：集体所有制；
 - 3、注册资本：196万元；
 - 4、经营范围：木材、木制品、钢材、有色金属、招商、租赁。
- 特此报告，请予批办。

嘉定区南翔镇人民政府
二〇〇五年八月十一日

Document issued by the People's Government of Nanxiang Town, Jiading District

嘉定区南翔镇人民政府文件

The 63rd Document by People's Government of Nanxiang Town, Jiading District in 2005

嘉翔府（2005）第 63 号

A report about Shanghai Jinxiang Timber Wholesale Market's company type and registered capital changes

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

According to the actual situation of the construction material market in Shanghai and the two investors' business development, Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 withdrew its investment in Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场 and made its new business choice.

Considering the above mentioned conditions, the People's Government of Nanxiang Town agrees that Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司 became the sole shareholder of Shanghai Jinxiang Timber Wholesale Market. The status of the business type and registered capital of Shanghai Jinxiang Timber Wholesale Market after the change is shown below:

1. Legal representative: Cai Xuelin 蔡学麟
2. Company type: collective ownership 集体所有制
3. Registered capital: RMB1.96 million
4. Business scope: timber, wood products, steel, nonferrous metal, Merchant, leasing
木材, 木制品, 钢材, 有色金属, 招商, 租赁

This report is hereby submitted for processing.

The People's Government of Nanxiang Town, Jiading District 嘉定区南翔镇人民政府(stamp)

2005-August-11

This is Exhibit "Z" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



同诚会验[2005] 第 12190 号

验资报告

上海金翔木材批发市场:

我们接受委托, 审验了贵企业截至 2005 年 8 月 11 日止减少注册资金实收情况。按照国家相关法律、法规的规定和协议、章程的要求出资, 提供真实、合法、完整的验资资料, 保护资产的安全、完整是全体出资人及贵企业的责任。我们的责任是对贵企业减少注册资金的情况发表审验意见。我们的审验是依据《独立审计实务公告第 1 号——验资》进行的。在审验过程中, 我们结合贵企业的实际情况, 实施了检查等必要的审验程序。

贵企业原注册资金人民币 300 万元, 其中上海南翔工业开发区实业有限公司(以下简称甲方)出资 250 万元, 占注册资金的 83%, 上海金森物资贸易公司(以下简称乙方)出资 50 万元, 占注册资金的 17%。根据 2005 年 8 月 11 日嘉定区南翔镇人民政府文件出具嘉翔府[2005]第 63 号报告和修改后章程的规定, 申请减少注册资金人民币 104 万元, 其中: 减少甲方出资人民币 54 万元, 减少乙方出资人民币 50 万元。经我们审验, 截至 2005 年 8 月 11 日止, 贵企业已减少注册资金人民币 104 万元, 其中: 减少



上海同诚会计师事务所

Shanghai Tongcheng Certified Public Accountants

A

甲方出资人民币 54 万元，减少乙方出资人民币 50 万元。

同时我们注意到，贵公司本次减资前的注册资金为人民币 300 万元，已经上海市嘉定审计师事务所审验，并于 1997 年 6 月 12 日出具嘉审事字 [1997] 第 1040 号《验资报告》。截至 2005 年 8 月 11 日止，变更后的注册资金为人民币 196 万元。

本验资报告供贵企业申请变更登记及据以向出资人签发出资证明时使用，不应将其视为是对贵企业验资报告日后资金保全、偿债能力和持续经营能力等的保证。因使用不当而造成的后果，与执行本验资业务的注册会计师及会计师事务所无关。

附件：1、注册资金变更前后对照表。

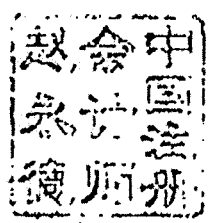
- (1) 减少注册资金实收情况明细表；
- (2) 注册资金变更前后对照表。

2、验资事项说明。

主任会计师



中国注册会计师



报告日期：二〇〇五年八月十一日



地址：中国上海

Capital Verification Report

Shanghai Tongcheng Certified Public Accountants 上海同诚会计事务所

--No. 12190, Tongcheng in 2005 同诚会验 2005 第 12190 号

Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场:

We accepted the appointment to verify the status of the reduction of paid-in capital of your company till August 11, 2005. The responsibilities of the Company and all its shareholders are to invest in accordance with the terms of the agreement and the articles of the association of the Company and the provisions of related laws and codes of the state, and provide true, legitimate and complete information for capital verification, and ensure the safety and completeness of its assets. Our responsibility is to review the status of the Company's reduction of paid-in capital and provide auditor's opinion. Our verification is in accordance with the "Statement of Independent Auditing Practices No.1: Verification of Capital Contribution (独立审计实务公告第 1 号—验资)". In the course of the verification, in consideration of the Company's practice, we carried out the necessary audit and verification procedures.

The original registered capital was RMB3 million, including RMB2.50 million (83% shares) from Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司 (hereinafter referred to as "Party A") and RMB500,000 (17% shares) from Shanghai Jinsen Material Trade Co., Ltd. 上海金森物资贸易公司 (hereinafter referred to as "Party B"). Subject to the 63rd Report issued by People's Government of Nanxiang Town, Jiading District in 2005 (嘉翔府(2005)第 63 号) on August 11, 2005 and the amended articles of association of the company, your company applied to reduce the registered capital by RMB1.04 million which includes RMB540,000 from Party A and RMB500,000 from Party B. We hereby verified that up to August 11, 2005, the Company has reduced RMB1.04 million of registered capital including RMB540,000 from Party A and RMB500,000 from Party B.

At the same time, we notice that the registered capital of your esteemed company prior to the change was RMB3 million which was verified by Shanghai Jiading Auditing Firm 上海市嘉定审计师事务所 on June 12, 1997, with Verification Report of No. 1040 in 1997 (嘉审事字 1997 第 1040 号验资报告). Up to August 11, 2005, your registered capital has been changed to RMB1.96 million.

This capital verification report is only for your Company to apply for registration change and to issue capital contribution certificates to your shareholders, and shall not be deemed as a guarantee for the Company's capital maintenance, solvency and successive management ability. Any result caused by improper usage of this report has nothing to do with the certified accounting firm which conducted this capital verification.

Annex: 1. Table showing the registered capital prior to and after the change.

- a. Breakdown for the reduction of registered capital
- b. A table for comparison of registered capital prior to and after the change.

2. Notes on the capital verification

Senior Accountant: Huang Zhaohua 黄肇华 (Stamp)

PRC Certified Public Accountant 中国注册会计师: Zhao Yongde 赵永德 (stamp)


Shanghai Tongcheng Certified Public Accountants Co., Ltd.

上海同城会计师事务所 (stamp)

中国上海

Report date: 2005-August-11

This is Exhibit "AA" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海金翔木材批发市场 :

根据《企业名称登记管理规定》、《企业名称登记管理实施办法》等规定，同意变更企业名称为：

上海金翔木材批发市场经营管理有限公司

该企业的注册资本为：~~300.0000~~万元(人民币) *300.0000* 万元

该企业名称保留期至2006年02月18日。在保留期内，企业名称不得用于经营活动，不得转让。经企业登记机关变更登记，颁发营业执照后企业名称正式生效。

六级注册官：



Notice for Approved Company Name Change

Ref: 沪工商注名变核字第 01200508180128 号

To: Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场:

According to Provisions on Administration of Enterprise Name Registration (企业名称登记管理规定), The Measures for the implementation of the administration of the registration of enterprise names (企业名称登记管理实施办法), the company name change was approved.

The new company name is "Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. 上海金翔木材批发市场经营管理有限公司".

Registered capital is RMB8.46 million.

The retention period of the new company name is from 2005-08-19 to 2006-02-18. During this period, this new company name should not be used for any business or be transferred to others. The name change has to be registered and approved by the company registration authority by which a business license will be issued. After that, the new name is officially valid.

Shanghai Administration Bureau For Industry and Commerce 上海市工商行政管理局

(stamp)

2005-August-19

This is Exhibit "BB" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

公司法定代表人、董事、监事、经理任职证明

A

295

海市工商行政管理局 嘉定 分局：

兹证明 蔡学麟 同志具备完全民事行为能力，

符合备注栏中有关法律、法规的规定，按《中华

人民共和国公司法》和公司章程的有关规定，经正

选举(委托、聘任)拟在 上海金林木材批发市场经营管理有限公司 担任

董事长法定代表人
总经理 职务，根据章程的有关条款行使职

特此证明

人事管理部门(公章)



2005年8月20日

Certificate of Appointment of the company's legal representative, director, supervisor and manager

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

We hereby certify that Cai Xuelin 蔡学麟 has complete capacity of civil disposition and meets the provisions of the relevant laws and regulations in the remarks column. According to the Corporate Law of the People's Republic of China and the relevant provisions of the Company's Articles, we officially appoint Cai Xuelin 蔡学麟 as the legal representative, chairman and general manager of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. to exercise power according to the provisions of the relevant articles of the Company.

It is hereby certified.

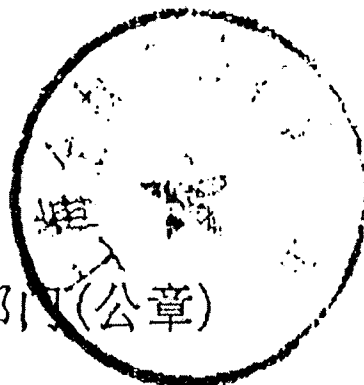
Human Recourses Department of
Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd.
上海金翔木材批发市场经营管理有限公司 (stamp)
2005-August-20

上海市工商行政管理局 嘉定 分局：

兹证明 潘家杰 同志具备完全民事行为能力，且符合备注栏中有关法律、法规的规定，按《中华人民共和国公司法》和公司章程的有关规定，经正式选举(委托、聘任)拟在 上海新科林发福经营管理 有限公司担任 董事 职务，根据章程的有关条款行使职权。

特此证明

人事管理部门(公章)



2005年8月20日

Certificate of Appointment of the company's legal representative, director, supervisor and manager

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

We hereby certify that Poon Kai Kit 潘家杰 has complete capacity of civil disposition and meets the provisions of the relevant laws and regulations in the remarks column. According to the Corporate Law of the People's Republic of China and the relevant provisions of the Company's Articles, we officially appoint Poon Kai Kit 潘家杰 as director of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. to exercise power according to the provisions of the relevant articles of the Company.

It is hereby certified.

Human Recourses Department of
Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd.
上海金翔木材批发市场经营管理有限公司 (stamp)
2005-August-20

市工商行政管理局 嘉定 分局:

兹证明 马聪 同志具备完全民事行为能力,

符合备注栏中有关法律、法规的规定,按《中华

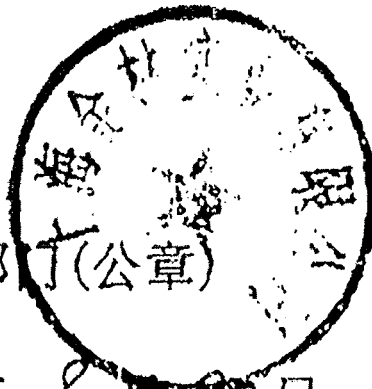
人民共和国公司法》和公司章程的有关规定,经正

举(委托、聘任)拟在 上海宝翔木材批发市场经营管理有限公司

董事 职务,根据章程的有关条款行使职

特此证明

人事管理部门(公章)



2005年8月20日

Certificate of Appointment of the company's legal representative, director, supervisor and manager

300

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

We hereby certify that Ma Cong 马聪 has complete capacity of civil disposition and meets the provisions of the relevant laws and regulations in the remarks column. According to the Corporate Law of the People's Republic of China and the relevant provisions of the Company's Articles, we officially appoint Ma Cong 马聪 as director of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. to exercise power according to the provisions of the relevant articles of the Company.

It is hereby certified.

Human Recourses Department of
Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd.
上海金翔木材批发市场经营管理有限公司 (stamp)
2005-August-20

海市工商行政管理局 嘉定 分局:

兹证明 张锦德 同志具备完全民事行为能力，符合备注栏中有关法律、法规的规定，按《中华人民共和国公司法》和公司章程的有关规定，经正选举(委托、聘任)拟在 上海翔材批发的经营管理 担 董事 职务，根据章程的有关条款行使职

有限公司

特此证明



人事管理部门(公章)

2005 年 8 月 20 日

Certificate of Appointment of the company's legal representative, director, supervisor and manager

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

We hereby certify that Zhang Jinde 张锦德 has complete capacity of civil disposition and meets the provisions of the relevant laws and regulations in the remarks column. According to the Corporate Law of the People's Republic of China and the relevant provisions of the Company's Articles, we officially appoint Zhang Jinde 张锦德 as director of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. to exercise power according to the provisions of the relevant articles of the Company.

It is hereby certified.

Human Recourses Department of
Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd.
上海金翔木材批发市场经营管理有限公司 (stamp)
2005-August-20

海市工商行政管理局 嘉定 分局:

兹证明 张玉林 同志具备完全民事行为能力，
符合备注栏中有关法律、法规的规定，按《中华
人民共和国公司法》和公司章程的有关规定，经正
选举(委托、聘任)拟在 上海宝钢材料批发市场经营管理有限 担
副董事长 职务，根据章程的有关条款行使职

特此证明



人事管理部门(公章)

2005 年 8 月 20 日

Certificate of Appointment of the company's legal representative, director, supervisor and manager

Shanghai Administration Bureau of Industry and Commerce Jiading Branch 上海市工商行政管理局嘉定分局:

We hereby certify that Zhang Yulin 张玉林 has complete capacity of civil disposition and meets the provisions of the relevant laws and regulations in the remarks column. According to the Corporate Law of the People's Republic of China and the relevant provisions of the Company's Articles, we officially appoint Zhang Yulin 张玉林 as vice chairman of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. to exercise power according to the provisions of the relevant articles of the Company.

It is hereby certified.

Human Recourses Department of
Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd.
上海金翔木材批发市场经营管理有限公司 (stamp)
2005-August-20

This is Exhibit "CC" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

嘉翔府[2005]批9号

关于同意金翔木材批发市场 改制及增资扩股的批复

上海南翔工业开发区实业有限公司：

你公司报来的关于金翔木材批发市场改制及增资扩股的请示已收悉。经研究，同意你公司将原属集体所有制的上海金翔木材批发市场改制为上海金翔木材批发市场经营管理有限公司（国内合资），并同意上海南翔工业开发区实业有限公司以净资产 196 万元全数出资入股、上海金材实业有限公司以 650 万元现资入股。金翔木材批发市场改制后的公司的注册资金将由原来的 196 万元增加到 846 万元，经营范围是为金翔木材批发市场内木材、胶合板、装饰材料经营者提供市场管理服务。望接批复后及时办理改制登记等相关手续。

特此批复

嘉定区南翔镇人民政府
二〇〇五年八月二十五日

Document Issued by the People's Government of Nanxiang Town, Jiading District
Document No. 9 in 2005 嘉翔府 2005 批 9 号

Re: Approval on Jinxiang Timber Wholesale Market's restructuring and capital increase

To: Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开
发区实业有限公司:

We have received your request on Jinxiang Timber Wholesale Market's restructuring and capital increase. Upon review, we agree that Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场 changes from a collective ownership to a limited company (Joint Venture by domestic companies) and increases its registered capital to RMB8.46 million, including RMB1.96 from Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd. 上海南翔工业开发区实业有限公司 and RMB6.50 million from Shanghai Jincai Industrial Co., Ltd. 上海金材实业有限公司. Its business scope covers market management service for suppliers of timbers, plywood and decorative materials in Jinxiang Timber Market. We hope that your company would get changes registered in time.

Approval is hereby granted.

The People's Government of Jiading District Nanxiang Town 嘉定区南翔镇人民政府 (stamp)
2005-August-25

This is Exhibit "DD" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

股 东 会 决 议

309

根据《公司法》及本公司章程的有关规定，上海金翔木材批发市场经营管理有限公司定期股东会议于2005年8月20日在本公司
会议室召开。首次会议由出资最多的股东提议召开，股东会于会议
召开十五天以前以电话方式通知全体股东，应到会股东2
人，实际到会股东2人，代表846万股，占100%股权。会议由出
资最多的股东主持，形成决议如下：

一、根据政府有关市场改制要求，将市场改为有限责任公司，并
接受上海金材实业有限公司为新股东，注册资本由原196万元，增加
到846万元。

二、选举张锦德、潘家杰、张玉林、马聪、蔡学麟任公司董事。

三、选举瞿荣国任公司监事。

四、通过公司章程。

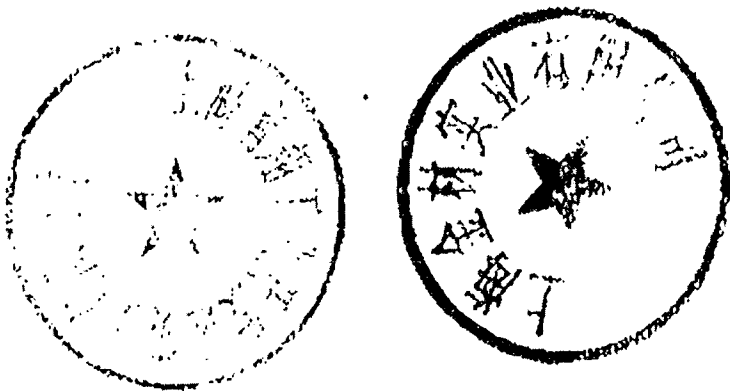
五、公司于本决议作出后30日内向登记机关申请注册登记。

以上事项表决结果：同 意 846 万股，占总股数 100 %；

不同 意 _____ 万股，占总股数 _____ %；

弃 权 _____ 万股，占总股数 _____ %。

与会股东（盖章、签字）注1



注1：股东是法人或者其他经济组织的加盖公章，股东是自然人的由自然人签字。

Resolutions of the Shareholders' Meeting

of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. 上海金翔木材批发市场经营管理有限公司

According to Corporation Law and articles of association of the Company, the shareholders meeting of Shanghai Jinxiang Timber Wholesale Market Management Co., Ltd. was held on August 20, 2005 in the meeting room of the Company. The first shareholder meeting was proposed by the major shareholder. Shareholders had been informed the meeting 15 days ago. The two shareholders were present and holding total 8.46 million shares which account for 100% shares of the Company. The meeting was hosted by the major shareholder. The resolutions are as below:


1. According to the governmental demands on company's restructuring, "Market" has been changed to "Co., Ltd.". Meanwhile, Shanghai Jincai Industrial Co., Ltd. 上海金材实业有限公司 becomes the new shareholder of the Company whose registered capital is increased from RMB1.96 million to 8.46 million.
2. Zhang Jinde 张锦德, Poon Kai Kit 潘家杰, Zhang Yulin 张玉林, Ma Cong 马聪, and Cai Xuelin 蔡学麟 become new directors.
3. Qu Rongguo 瞿荣国 becomes the supervisor.
4. The Company's Articles are formed.
5. The Company will apply for registration with the registration authority within 30 days.

The above mentioned resolutions are 100% agreed by shareholders who totally held 8.46 million shares (100%).

Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd.
上海南翔工业开发区实业有限公司 (stamp)

Shanghai Jincai Industrial Co., Ltd.
上海金材实业有限公司 (stamp)

This is Exhibit "EE" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海市商品流通企业二000年月度会计报表

资产负债表

主管部门

会商地月01表

单位名称 上海金翔木材批发市场

2000年12月

金额单位：元

资产	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产：				流动负债：			
货币资金	1	3473067.89	2028923.42	短期借款	16	11220000.00	12500000.00
短期投资	2			其中：政策性粮油借款	17		
应收票据	3			应付票据	18		
应收账款	4	21094648.02	10363637.97	应付账款	19	40519874.01	20797713.81
减：坏账准备	5			预收账款	20	850000.00	281250.00
应收账款净额	6	21094648.02	10363637.97	其他应付款	21	3879383.55	1876655.01
预付账款	7	117854.50	-18017.00	应付工资	22	99425.4	74310.40
应收出口退税	8			应付福利费	23	70883.46	29150.86
应收补贴款	9			未交税金	24	-1975652.79	-930606.51
期货保证金	10			未付利润	25		
应收席位费	11			其他未交款	26		0.00
其他应收款	12	1308569.40	837094.41	预提费用	27	140000.00	46000.00
存货	13	14254587.22	9239558.82	一年内到期的长期负债	28		
其中：政策性粮油	14			其他流动负债	29		
待转其他业务支出	15			流动负债合计	30	54603513.63	34673473.37
待摊费用	16	61420.00	40000.00	长期负债：			
待处理流动资产净损失	17	188501.51	188501.51	长期借款	31		0.00
一年内到期长期债券投资	18			其中：政策性粮油借款	32		
其他流动资产	19			其中：国家专项粮食收购贷款	33		
流动资产合计	20	40498648.54	22679697.13	特种储备借款	34		
长期投资：				应付债券	35		
长期投资	21			长其应付款	36		
固定资产：				其他长其负债	37		
固定资产原价	22	12480175.13	15192307.55	其中：住房周转金	38		
减：累计折旧	23	737757.10	1457757.10	长期负债合计	39	0.00	0.00
固定资产净值	24	11742418.03	13734550.45	递延税项：			
固定资产清理	25			递延税款贷项	40		
在建工程	26	4431436.72	0.00	负债合计	41	54603513.63	34673473.37
待处理固定资产净损失	27			所有者权益：			
固定资产合计	28	16173854.75	13734550.45	实收资本	42	10050000.00	12900000.00
无形资产及递延资产：				资本公积	43		
无形资产	29	7990758.64	7690788.64	盈余公积	44		
递延资产	30	549200.00	3308200.00	其中：公益金	45		
无形资产及递延资产合计	31	8539958.64	10998988.64	未分配利润	46	558948.30	239782.85
其他长期资产：				所有者权益合计	47	10608948.30	12739762.85
其他长期资产	32			负债及所有者权益合计	48	65212461.93	47413236.22
递延税项：							
递延税款借项	33						
资产合计	34	65212461.93	47413236.22				

企业行政领导人：

会计主管人员：

制表人：

2

生产经营情况

经营情况(元)	符号	万亿	千亿	百亿	十亿	亿	千万	百万	十万	万	千	百	十	个
资产合计	+						4	7	4	1	3	2	3	6
负债合计							3	4	6	7	3	4	7	3
所有者权益合计							1	2	7	3	9	7	6	3
其中:实收资本	+						1	2	5	0	0	0	0	0
对外投资总额	+													
营业额(销售收入)	+													
产值	+													
税后利润	+								3	5	0	3	4	8
亏损额	+													

注: 1. 符号一栏仅对“负债合计”、“所有者权益合计”两项填写符号正“+”或负“-”。

2. 亏损额与税后利润两者只能填一; 资产合计 = 所有者权益合计 + 负债合计。

专项信息

行业(企业)	是	否	行业(企业)	是	否
煤炭企业			游戏机		
成品油企业			桑拿洗浴按摩企业		
集邮票品			录像放映企业		
卫星地面接收设施企业			美容美发企业		
医疗器械企业			棋牌室		
易燃易爆企业			茶室		
医药企业			电脑屋、网吧		
歌舞娱乐企业			性保健品企业		

注: 凡企业具有上述经营范围的, 应在年检时提交有关许可证、审批件(复印件), 并在上表中“是否提交”一框中选择“是”或“否”一栏打“√”。如不能提交有关许可证、审批件(复印件)的, 将由登记机关责令变更其经营范围。

2000年度受有关部门处罚情况(打√)

部门	工商	公安	税务	劳动	卫生	环保	技监	文化	其他

Balance Sheet

Name of Enterprise: Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场	December-2000	Monetary Unit: RMB Yuan
--------------------------------------------------------------------------------	---------------	-------------------------

ASSETS	Line No.	Year start	Year end	LIABILITIES AND OWNER'S EQUITY	Line No.	Year start	Year end
Current Assets:				Current liabilities:			
Cash & Bank	1	3,473,067.89	2,028,923.42	Short-term loans	46	11,220,000.00	12,500,000.00
Short term investments	2			Including: foodstuff reserves loans	47		
Notes receivable	3			Notes payable	48		
Accounts receivable	4	21,094,648.02	10,363,637.97	Accounts payable	49	40,519,674.01	20,797,713.61
Less: Provision for bad debts	5			Advances from customers	50	650,000.00	281,250.00
Net accounts receivable	6	21,094,648.02	10,363,637.97	Other payables	51	3,879,383.55	1,876,655.01
Accounts Prepaid	7	117,854.50	-18,017.00	Payroll payable	52	99,425.4	74,310.40
Export tax refund receivable	8			Welfare payable	53	70,683.46	28,150.86
Allowance receivable	9			Taxes payable	54	-1,975,652.79	-930,606.51
Futures	10			Profits payable	55		
Seat fees receivable	11			Other payables	56		0.00
Other receivables	12	1,308,569.40	837,094.41	Accrued expense	57	140,000.00	46,000.00
Inventories	13	14,254,587.22	9,239,556.82	Long-term liabilities due within one year	58		
Including foodstuff reserves	14			Other current liabilities	59		
Other pending business	15						

Prepaid and deferred expenses	16	61,420.00	40,000.00	Total current liabilities	60	54,603,513.63	34,673,473.37
Unsettled G/L on current assets	17	188,501.51	188,501.51				
Long-term debenture investment falling due in a year	18			LONG-TERM LIABILITIES			
Other current assets	19			Long-term loans	65		0.00
Total current assets	20	40,498,648.54	22,679,697.13	Including foodstuff reserves	66		
Long-term investment				Including: special reserve loans for state grain and oil	67		
Long-term investment	21			Special reserve fund	68		
Fixed assets:				Bonds	69		
Fixed assets-cost	24	12,480,175.13	15,192,307.55	Long-term accounts payable	70		
Less: Accumulated depreciation	25	737,757.10	1,457,757.10	Other long-term liabilities	71		
Fixed assets-net value	26	11,742,418.03	13,734,550.45	Including: housing revolving fund	72		
Disposal of fixed assets	27			Total long-term liabilities	76	0.00	0.00
Construction in progress	28	4,431,436.72	0.00	Deferred taxes:			
Unsettled G/L on fixed assets	29			Deferred taxes debit	77		
Total tangible assets	35	16,173,854.75	13,734,550.45	Total liabilities	80	54,603,513.63	34,673,473.37
Intangible assets and deferred assets:				OWNER'S EQUITY			
Intangible assets	36	7,990,758.64	7,690,788.64	Paid in capital	81	10,050,000.00	12,500,000.00

Deferred assets	37	549,200.00	3,308,200.00	Capital reserves	82		
				Surplus	83		
Intangible assets and deferred assets	40	8,539,958.64	10,998,988.64	Including: public welfare fund	84		
Other long-term assets:				Retained earnings	85	558,948.30	239,762.85
Other long-term assets	41						
Deferred taxes:							
Deferred assets debits	42			Total shareholder's equity	88	10,608,948.30	12,739,762.85
Total assets	45	65,212,461.93	47,413,236.22	Total liabilities & equity	90	65,212,461.93	47,413,236.22

Year 2000 Operation Status Summary

Item	Amount
Total Assets	RMB 47,413,236
Total Liabilities	RMB 34,673,473
Total Owner's Equity	RMB 12,739,763
Including: Paid in capital	RMB 12,500,000
Total Investment	
Business Revenue	
Production Value	
Profits after Taxes	RMB 350,348
Loss	

上海市商品流通企业二00二年月度会计报表

资产负债表

主管部门

会商地月01表

单位名称上海金翔木材批发市场

2002年12月30日

金额单位：元

资产	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产				流动负债：			
货币资金	1	3047123.59	4941823.40	短期借款	46	14700000.00	11000000.00
短期投资	2			其中：政策性粮油借款	47		
应收票据	3			应付票据	48		
应收帐款	4	998853.58	3149365.52	应付帐款	49	5768865.26	15667220.28
减：坏帐准备	5			预收帐款	50	0.00	0.00
应收帐款净额	6	998853.58	3149365.52	其他应付款	51	2497922.59	1652494.82
预付帐款	7	-18017.00	81983.00	应付工资	52	51133.40	5128.50
应收出口退税	8			应付福利费	53	24326.86	28636.71
应收补贴款	9			未交税金	54	-390436.87	-723190.77
期货保证金	10			未付利润	55		
应收席位费	11			其他未交款	56		
其他应收款	12	2777482.72	2273119.10	预提费用	57	198181.41	152872.00
存货	13	4095733.36	6073054.79	一年内到期的长期负债	58		
其中：政策性粮油	14			其他流动负债	59		
待转其他业务支出	15						
待摊费用	16	40000.00	0.00	流动负债合计	60	22848992.65	27783161.54
待处理流动资产净损失	17	188501.51	0.00				
一年内到期的长期应收款	18			长期负债：			
其他流动资产	19			长期借款	65		
流动资产合计	20	11129677.74	16519345.81	其中：政策性粮油借款	66		
长期投资：				其中：国家专项储备专项借款	67		
长期投资	21			特种储备借款	68		
固定资产：				应付债券	69		
固定资产原价	24	18691656.22	19829164.48	长其应付款	70		
减：累计折旧	25	2177757.10	3166757.10	其他长其负债	71		
固定资产净值	26	14513899.12	16662407.38	其中：住房周转金	72		
固定资产清理	27			长期负债合计	76		0.00
在建工程	28		294115.90	递延税项：			
待处理固定资产净损失	29			递延税款贷项	77		
固定资产合计	35	14605715.02	16956523.28	负债合计	80	22848992.65	27783161.54
无形资产及递延资产：				所有者权益：			
无形资产	36	7282788.64	6873788.64	实收资本	81	12500000.00	12500000.00
递延资产	37	2309800.00	0.00	资本公积	82		
				盈余公积	83		
无形资产及递延资产合计	40	9592588.64	6873788.64	其中：公益金	84		
其他长期资产：				未分配利润	85	-21211.25	66496.19
其他长期资产	41						
递延税项：							
递延税款借项	42			所有者权益合计	88	12478788.75	12566496.19
资产合计	45	35327781.40	40349657.73	负债及所有者权益合计	90	35327781.40	40349657.73

企业行政领导人：

会计主管人员：

制表人：

2

生产经营情况

经营情况(元)	符号	万亿	千亿	百亿	十亿	亿	千万	百万	十万	万	千	百	十	个
资产合计	+						4	0	3	4	9	6	5	7
负债合计							2	7	7	8	3	1	6	1
所有者权益合计							1	2	5	6	6	4	9	6
其中:实收资本	+						1	2	5	0	0	0	0	0
对外投资总额	+													
营业额(销售收入)	+						6	6	3	9	2	0	4	4
产值	+													
税后利润	+									1	2	3	9	1
亏损额	+													

注: 1. 符号一栏仅对“负债合计”、“所有者权益合计”两项填写符号正“+”或负“-”。

2. 亏损额与税后利润两者只能填一; 资产合计 = 所有者权益合计 + 负债合计。

专项信息

行业(企业)	是	否	行业(企业)	是	否
互联网上网服务场所(网吧)			因私出入境和留学中介机构		
电子游戏机经营企业			民用爆破器材生产企业		
歌舞娱乐企业			烟花爆竹生产经营企业		
桑拿按摩企业			化学危险品生产经营企业		

注: 凡企业具有上述经营范围的, 应在年检时提交有关许可证、审批件(复印件), 并在上表中选择“是”一栏打“√”。如不能提交有关许可证、审批件(复印件)的, 则在上表中选择“否”一栏打“√”。

2002年度受有关部门处罚情况(打√)

部门	工商	公安	税务	劳动	卫生	环保	技监	文化	其他

Balance Sheet

Name of Enterprise: Shanghai Jinxiang Timber Wholesale Market 上海金翔木材批发市场	30-December-2002	Monetary Unit: RMB Yuan
--------------------------------------------------------------------------------	------------------	-------------------------

ASSETS	Line No.	Year start	Year end	LIABILITIES AND OWNER'S EQUITY	Line No.	Year start	Year end
Current Assets:				Current liabilities:			
Cash & Bank	1	3,047,123.59	4,941,823.40	Short-term loans	46	14,700,000.00	11,000,000.00
Short term investments	2			Including: foodstuff reserves loans	47		
Notes receivable	3			Notes payable	48		
Accounts receivable	4	998,853.56	3,149,365.52	Accounts payable	49	5,769,865.26	15,667,220.28
Less: Provision for bad debts	5			Advances from customers	50	0.00	0.00
Net accounts receivable	6	998,853.56	3,149,365.52	Other payables	51	2,497,922.59	1,652,494.82
Accounts Prepaid	7	-18,017.00	81,983.00	Payroll payable	52	51,133.40	5,128.50
Export tax refund receivable	8			Welfare payable	53	24,326.86	28,636.71
Allowance receivable	9			Taxes payable	54	-390,436.87	-723,190.77
Futures guarantee	10			Profits payable	55		
Seat fees receivable	11			Other payables	56		
Other receivables	12	2,777,482.72	2,273,119.10	Accrued expense	57	196,181.41	152,872.00
Inventories	13	4,095,733.36	6,073,054.79	Long-term liabilities due within one year	58		
Including foodstuff reserves	14			Other current liabilities	59		

Other pending business expenses	15						
Prepaid and deferred expenses	16	40,000.00	0.00	Total current liabilities	60	22,848,992.65	27,783,161.54
Unsettled G/L on current assets	17	188,501.51	0.00				
Long-term debenture investment falling due in a year	18			LONG-TERM LIABILITIES			
Other current assets	19			Long-term loans	65		
current assets	20	11,129,677.74	16,519,345.81	Including foodstuff reserves	66		
Long-term investment				Including: special reserve loans for state grain and oil	67		
Long-term investment	21			Special reserve fund	68		
Fixed assets:				Bonds	69		
Fixed assets-cost	24	16,691,656.22	19,829,164.48	Long-term accounts payable	70		
Less: Accumulated depreciation	25	2,177,757.10	3,166,757.10	Other long-term liabilities	71		
Fixed assets-net value	26	14,513,899.12	16,662,407.38	Including: housing revolving fund	72		
Disposal of fixed assets	27			Total long-term liabilities	76		0.00
Construction in progress	28		294,115.90	Deferred taxes:			
Unsettled G/L on fixed assets	29			Deferred taxes debit	77		
Total tangible assets	35	14,605,715.02	16,956,523.28	Total liabilities	80	22,848,992.65	27,783,161.54


Intangible assets and deferred assets:				OWNER'S EQUITY			
Intangible assets	36	7,282,788.64	6,873,788.64	Paid in capital	81	12,500,000.00	12,500,000.00
Deferred assets	37	2,309,600.00	0.00	Capital reserves	82		
				Surplus	83		
Intangible assets and deferred assets	40	9,592,388.64	6,873,788.64	Including: public welfare fund	84		
Other long-term assets:				Retained earnings	85	-21,211.25	66,496.19
Other long-term assets	41						
Deferred taxes:							
Deferred assets debits	42			Total shareholder's equity	88	12,478,788.75	12,566,496.19
Total assets	45	35,327,781.40	40,349,657.73	Total liabilities & equity	90	35,327,781.40	40,349,657.73

Year 2002 Operation Status Summary

Item	Amount
Total Assets	RMB 40,349,657
Total Liabilities	RMB 27,783,161
Total Owner's Equity	RMB 12,566,496
Including: Paid in capital	RMB 12,500,000
Total Investment	
Business Revenue	RMB 66,392,044
Production Value	
Profits after Taxes	RMB 12,391
Loss	



This is Exhibit "FF" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

10009

上海市黄浦区洋泾镇人民政府文件

★

黄洋府(92)字第131号

关于同意建办《上海金森物资贸易公司》的批复

洋泾镇工业公司：

报告收悉，为了适应浦东的开发，促进洋泾经济的发展，经公司研究，决定同意你建办“上海金森物资贸易公司”。

单位地址：浦东大道1208号

法人代表：纪宗林

注册资金：壹佰万元

经济性质：集体所有制

经营范围：主营：木材及木材制品、金属材料、化工原料、
建材及建筑五金。

兼营：汽车配件、五金交电。

经营方式：批发零售、代购代销

文到日请即向工商、税务部门办理开业登记手续。

此 复。



一九九二年十二月三十日

抄送：洋泾工商所、洋泾征税组、洋泾工商银行

File of the Shanghai Huangpu Yangjing People's Government

Huangpu Yangjing Government (92) No. 131

Re: Approval for the establishment of Shanghai Jinsen Material Trade Company

To: Yangjing Industrial Company

We have received and read your report. To suit the development of Pudong, and to promote the development of Yangjing's economy, after conducting company research, we have decided to approve your plan to establish Shanghai Jinsen Material Trade Company.

Company Address: No. 1208 Pudong Avenue

Legal Representative: Ji Zonglin

Registered Capital: RMB 1 million

Economy Nature: Collective owned

Business Scope: Primary: woods and wooden products; metal materials;
chemical raw materials; architecture materials and hardware.

Secondary: automobile fittings; electrical hardware.

Business Mode: Wholesale and retail, purchase and sale agency.

Please proceed with the business registration at the Administration of Industry and Commerce and Taxation Bureau on receipt of this document.

We hereby reply.

Yangjing People's Government

December 30, 1992
(Chop)

Cc: Yangjing Administration of Industry & Commerce, Yangjing Taxation Team, Yangjing ICBC

This is Exhibit "GG" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

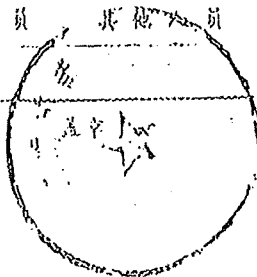
COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

10022

工商企业主要从业人员登记表

姓名	性别	年龄	文化程度	原所在单位及	现担任职务及	
			或职称	职 务	工 作	
纪宗林	男	40	大专	南昌木材经理	经理	
沈宗炎	"	52	高中	江西厂科长	付经理	
杨洲	"	24	" "	南昌航空研究所	技术员	
刘建敏	"	38	初中	" " "	" "	
李耀生	"	43	高中	虫物公司科长	科长(总务)	
张祥峰	"	37	" "	" " "	科长(总务)	
杨殿华	女	40	" "	" " " "	" " (总务)	
周智林	男	36	初中	赣通机械厂	" " (总务)	
叶宗林	"	57	高中	江西商店	科长(财务)	
化群生	女	35	" "	崇明农场	科员(财务)	
杨溪峰	男	30	" "	" " " "	" " (财务)	
朱远华	"	27	" "	庐山中学	科长(总务)	
汤若峰	"	29	" "	" " "	科长(总务)	
杨惠华	"	45	" "	江西经理	科长	
张一鸣	"	27	" "	" " "	科长	
从业人员总数			共	业务人员	管理人员	其他人员
15			中	6	9	

95年元月28日




Industrial and Commercial Enterprise Main Staff Registration

Name	Gender	Age	Education	Former job	Present Position
Ji Zonglin	Male	40	Associate	Seedling Manager	Manager
Shen Zongding	Male	52	High school	West and East Factory, Team leader	Deputy manager
Yang Hai	Male	24	High school	Navy Medic Institute	Office
Liu Jianmin	Male	35	Middle school	Navy Medic Institute	Office
Li Ruisheng	Male	43	High school	Animal feeds team leader	Team leader (Business)
Zhang Xianghua	Male	37	High school	Animal feeds team leader	Team member (Business)
Tang Minhua	Female	40	High school	Animal feeds team leader	Team member (Business)
Zhou Zhilin	Male	34	Middle school	Tietong Mechanical Railway Distance Gauge Factory	Team member (Business)
Ye Zonglin	Male	57	High school	Hanyang Shop	Team leader (Finance)
Qiu Cuilan	Female	35	High school	Chongming Farm	Team member (Finance)
Ji Suihua	Male	30	High school	Chongming Farm	Team member (Finance)
Zhu Jianben	Male	27	High school	Tangshan Middle School	Team member (Administration)
Tang Guanghui	Male	29		Tangshan Middle School	Team leader (Administration)
Yang Huiben	Male	45	High school	Local products business	Team leader
Zhang Yiming	Male	27	High school	Local products business	Team member
Total			Business	Management	Others
15			6	9	0

January 28, 1993
 Shanghai Huangpu Yangjing People's Government (Chop)

This is Exhibit "HH" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

10013



汇华会计师事务所 验资证明书

编号 93-1035

申请验资单位 上海金物贸易公司 (全称) 所有制性质 集体所有制

注册资金总额 壹佰万元整 (大写)

资 金 组 成	流动资产	1,000,000.00	国家财政部门拨款	
	固定资产		上级单位拨款	
			企业自筹资金	1,000,000.00
			其他单位投资	
合 计	1,000,000.00	合 计	1,000,000.00	

附：验资报告



证明单位：汇华会计师事务所
(盖章)

一九九三年二月四日

Huihua CPA Firm

Capital Verification

No. 93-1035

Applicant: Shanghai Jinsen Material Trade Company

Ownership Nature: collective owned

Registered Capital Amount: RMB One million

Capital Composition	Current Assets	1,000,000	Source Capital	of	Funding from State Financial Department	
	Fixed Assets				Funding from parent company	
					Enterprise's own funds	1,000,000
					Funding from other parties	
Total		RMB 1,000,000	Total		RMB 1,000,000	

Appendix: Capital Verification Report

Verification Unit: Huihua CPA Firm (Chop)

February 4, 1993

Add.: Room 1724, No. 583 Lingling Road (Ocean Oil Building), Shanghai Tel: 4395300 x 1724

This is Exhibit "II" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

30001

核发《企业法人营业执照》通知单

该企业经核准登记发给企业法人营业执照，特此通知。

企业名称	上海金鑫物资贸易公司	
住 所	浦东大道一〇八号	
法定代表人	纪家林	
注 册 资 金	壹佰万元	
经 济 性 质	集体所有制	
经 营 方 式	批发、零售、代购、代销。	
经 营 范 围	主 营	木材及制品，金属材料，化工原料（除危险品）， 建筑材料，建筑五金。
	兼 营	汽车零部件，五金交电。
执 照 字 号	注 册 号：013024100	
发 照 日 期	一九九三年二月十一日	

曹浦区工商行政管理局
年 月 日

Notice of Issuance of Enterprise Business License

We hereby notify that this enterprise has been approved to register and an Enterprise Business License has been issued.

Enterprise Name	Shanghai Jinsen Material Trade Company
Business Address	No. 1208 Pudong Avenue
Legal Representative	Ji Zonglin
Registered Capital	RMB 1 million
Economy Nature	Collective owned
Business Mode	Wholesale and retail, purchase and sale agency.
Business Scope	Primary: woods and wooden products; metal materials; chemical raw materials; architecture materials and hardware. Secondary: automobile fittings; electrical hardware.
License No.	012024100
Date of Issuance	February 11, 1993

Huangpu Administration of Industry & Commerce (Chop)

This is Exhibit "JJ" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

机构代码: 2021143007

内

0027

上海市工商行政管理局浦东新区分局 行政处罚决定书

沪工商浦案处字(2004)第150200412125号

当事人: 上海金森物资贸易公司
注册号: 3101151005437
住所: 浦东大道1208号
法定代表人: 纪宗林

经查, 上述当事人未按规定在年检截止日期前申报2002、2003年度年检, 并自登记机关限期年检公告发布之日起30日内仍未申报年检, 且在吊销营业执照行政处罚听证告知规定的期限内未提出听证申请, 视为放弃听证权利。以上事实有现场笔录、书证等证据为证。

当事人的上述行为, 违反了《企业年度检验办法》第五条的规定。根据《企业年度检验办法》第十九条的规定, 决定处罚如下:
吊销营业执照。

当事人如不服本处罚决定, 可在收到处罚决定书之日起六十日内, 向上海市工商行政管理局申请行政复议。

上海市工商行政管理局浦东新区分局
二零零四年十月十五日



Administrative Penalty Decision of Shanghai Pudong Administration of Industry and Commerce

Shanghai Administration of Industry & Commerce Pudong Case Penalty Decision (2004)
No. 150200412125

Subject: Shanghai Jinsen Material Trade Company
Registration No.: 3101151005437
Company Address: No. 1208 Pudong Avenue
Legal Representative: Ji Zonglin

A review shows the above Subject did not submit their annual returns in 2002 and 2003 before the deadline for submission of annual returns, and did not submit their annual returns within 30 days after the registration authority has released a notification. Furthermore, the Subject did not submit an application for hearing after a notification for a hearing for the revoke of business license was issued. This is deemed to give up the rights to attend the hearing. All the above facts are in support by written records, documents and other evidences.

The acts of the Subject have violated Article Five of Enterprise Annual Return Ordinance. According to Article Nineteen of Enterprise Annual Return Ordinance, it is decided the following penalty will be imposed:


The business license be revoked.

If the Subject does not agree with this decision, he can apply for administrative review with the Shanghai Administration of Industry & Commerce within 60 days on receipt of this penalty decision.

Shanghai Pudong Administration of Industry & Commerce (Chop)

October 15, 2004

This is Exhibit "KK" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.




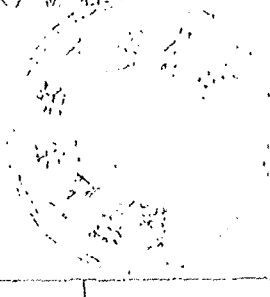
A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

002

公司名称预先核准申请书

(申请人填写)

申请公司名称	上海昌翔实业有限公司		
备用名称			
拟设公司的类型	国内合资		
拟设公司的注册资本	1000万元		
拟设公司的住所	上海嘉定南翔镇曙光村		
拟设公司的经营范围	五金机电、日用百货、建筑材料、钢材和电产品、服装鞋帽、食品、果品、汽配、农副产品		
全体股东(发起人)签名			
 			
序号	提交文件、证件名称	有关说明	页数

申请人姓名:

电话:

Application for Pre-approval of Company Name

Filled out by Applicant

Company Name	Shanghai Changxiang Industrial Co., Ltd		
Stanby Names			
Company Type	Domestic Joint Venture		
Registered Capital	RMB 12,000,000		
Address	Shuguang Village, Nanxiang Town, Jiading District, Shanghai		
Business Scope	Sales of hardware, building materials, decoration materials, steel, machinery and electronic products, garments, daily necessities, automobile accessories, food, fruit and agricultural products.		
Signed by all the shareholders (founders):			
Stamps: Shanghai Nanxiang Economic Development Co., Ltd			
Jiading Nanxiang Industrial Co., Ltd.			
No.	Attached Certificates	Remarks	Page

Applicant's name

Tel:

This is Exhibit "LL" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

012 上海昌翔实业有限公司 股东(发起人)名录

表一

(A, 法人)

法人名称	法定代表人	出资额 (万元)	百分比	住所	备注
上海南翔经济发展总公司	傅卓	1000	85%	南翔镇	
加美南翔工业公司	张锦德	200	15%	南翔镇	

注: ① “备注” 栏填写下述字母: A, 企业法人, B, 社会团体法人, C, 事业法人, D, 国家授权的部门。
 ② “住所” 栏只填省、市(县)名。
 ③ 本表不够填时, 可先复印续填, 粘贴于后。


Shareholders of Shanghai Changxiang Industrial Co., Ltd

Legal Entity	Legal Representative	Capital Contribution (Unit: RMB '0,000)	Percentage	Address	Remarks
Shanghai Nanxiang Economic Development Co., Ltd	Fu Feng	1,000	85%	Nanxiang Town	
Jiading Nanxiang Industrial Co., Ltd	Zhang Jinde	200	15%	Nanxiang Town	

Notes:

- ① Please fill the REMARKS column with terms as follows:
 - A. Business Entity,
 - B. Social Group
 - C. Public Institution
 - D. Other State Authorized Group
- ② Only need to write the city and province name in the ADDRESS column.
- ③ It there is not enough space, you can paste another copy after it.

This is Exhibit "MM" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

关于建办上海昌翔实业公司 投资股东资金来源说明

嘉定区工商局：

由于上海昌翔实业有限公司，当时在筹建过程中工商营业执照，未能及时办好，就急需筑路、造桥，建造基础设施，招商引资开发新项目。

当时昌翔实业有限公司无执照，没帐户的情况下，总公司只能拨款到南翔工业开发区。代昌翔实业有限公司搞基础设施，目前上海昌翔实业有限公司已进入办理工商执照阶段，所以特此说明，总公司拨款到南翔工业开发区的资金，就是总公司投入到昌翔实业有限公司的投资款。

特此说明



Statement on the source of the Investment Capital of Shanghai
Changxiang Industrial Co., Ltd

To: Jiading District Administration for Industry and Commerce

During the preparation for the establishment of Shanghai Changxiang Industrial Company, in order to build roads, bridges and infrastructure, and to attract investments to develop new projects, capital was needed prior to the business registration license was in place

At the time when Shanghai Changxiang Industrial Company had not yet obtained the Business License and bank account was not opened, the head office, Nanxiang Economic Development Company, could only allocate funds to the Nanxiang Industrial Development District to build infrastructures for Changxiang Industrial Company. We hereby provide this statement as Changxiang Industrial Company has entered into the procedures to get the Business License. All the capital which Nanxiang Economic Development Company allocated to Nanxiang Industrial Development District is the investment of the head office in Changxiang Industrial Co., Ltd.

It is hereby declared.

Nanxiang Economic Development Co., Ltd
November 8, 1996

Stamp: Nanxiang Economic Development Co., Ltd

This is Exhibit "NN" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海 有限责任公司
股东会决议

根据《中华人民共和国公司法》以及本公司章程的有关规定，经全体股东讨论、选举，作出如下决议：

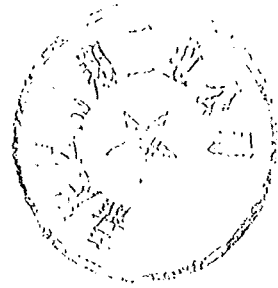
一、下列 四 位先生（女士）为公司的首届
董事会董事：

章庆忠、徐旭、许大东

二、下列 一 位先生（女士）为公司的首届监
事会监事：

李王兴

全体股东签名



一九九六年十一月八日

Resolution of Company Shareholder's Meeting - Shanghai

According to the Company Law of the People's Republic of China and the Articles of Association of the company, after discussion and election by all the shareholders, it was resolved:

1. First Board of Directors: (Four members)

Zhang Qingzhong 章庆忠

Xu Long 徐龙

Xu Dadong 许大东

2. First Board of Supervisor

Li Yuxing 李玉兴

Signed by all shareholders:

Stamp: Shanghai Nanxiang Economic Development Co., Ltd

Stamp: Jiading Nanxiang Industrial Co., Ltd

Date: November 8, 1996

This is Exhibit "OO" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.




A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

011

公司设立登记申请书

名称	上海昌翔实业有限公司		
住所	加茂区南翔镇曙光村	邮政编码	200801
法定代表人	章致忠	电话	59127414
注册资本	1000 (万元)	企业类型	生产经营
经营范围	五金交电、建筑装潢材料、钢材、机电产品、化工产品、服装鞋帽、日用百货、汽车配件、企业管理咨询、食品、饮料、果品、塑料制品、农副产品。		
营业期限	自 年 月 日至 年 月 日		
审批机关	批准文号		
有关部门意见			
谨此确认，本表所填内容不含虚假成份。 董事长签字 <u>章致忠</u> 年 月 日			

- 注：①经营范围中有法律、行政法规规定必须报经审批的项目的，国家有关部门可在“有关部门意见”栏签署意见并盖章。国家有关部门签署意见后，申请人可不再提交国家有关部门的批准文件。
- ②法律、行政法规规定设立公司必须报经审批的，申请人应填写“审批机关”和“批准文号”栏目。
- ③“住所”应填写市(县)、区(村)、街道名、门牌号。
- ④“企业类型”填“有限”或“股份”。

Application for Registration of Company Establishment

Company Name	Shanghai Changxiang Industrial Co., Ltd		
Address	Shuguang Village, Nanxiang Town, Jiading District, Shanghai	Zip Code	200801
Legal Representative	Zhang Qingzhong 章庆忠	Tel	59127414
Registered Capital	RMB 12,000,000	Company Type	Manufacture and Operation
Business Scope	Sales of hardware, building materials, decoration materials, steel, machinery and electronic products, industrial chemicals, garments, daily necessities, automobile accessories, plastic products, food, beverage, fruit and agricultural products; business management consulting		
Period of Operation	-		
Approving Authority		Approval No.	
Remarks of Relevant Department	Stamped by Sanitation And Antiepidemic Station, Jiading District, Shanghai 上海市嘉定区卫生防疫站 Date: November 11, 1996		
It is hereby confirmed that the contents of this form do not include any false information.			
Signed: Executive Director: Zhang Qingzhong 章庆忠			

This is Exhibit "PP" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

证明

证明事由：

上海昌翔实业开发有限公司更名为

上海南翔工业开发区实业开发有限公司，涉及

“上海南翔工业开发区”地名，符合地名管

理规定，同意使用上述名称。

特此证明

嘉定区地名委员会



1989.11.22

Statement (handwritten)

.... District Administration for Industry and Commerce:

Shanghai Changxiang Industrial Co., Ltd has changed its name to Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd 上海南翔工业开发区实业有限公司 which involves the name of a place, Shanghai Nanxiang Industrial Development Zone. We hereby agree the use of the above name as it conforms to the place name rule.

This is to certify the above.

Place Name Office, Jiading District

November 22, 1999

Stamp: Place Name Office, Jiading District, Shanghai

This is Exhibit "QQ" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海南翔工业开发股份有限公司董事会决议

根据本公司章程规定，公司于 1999 年 11 月 8 日召开第 5 次董事会。会议由 章庆忠 董事长（副董事长）主持，出席会议的董事 4 人，符合法定人数。会议按照章程通过有效决议如下：

一、变更 公司名称 事项，变更后应为 上海南翔工业开发股份有限公司

二、变更 法人代表 事项，变更后应为 叶锦德 为公司法人代表

三、变更 任期 三年 事项，变更后应为 2002 年 11 月

四、因 章庆忠 同志工作繁忙，辞去其董事职务，继续担任监事。

决议立即生效。责成 章庆忠 负责办理与决议有关的法律事宜。

董事长 叶锦德 (签名)

副董事长 (签名)

董事 叶锦德

章庆忠 (签名)



一九九九年十一月廿五日

Resolution of Board of Directors of Shanghai Nanxiang
Industrial Development Zone Industrial Co., Ltd

Subject to the provisions of the articles of association of this company, the fifth board meeting was held on November 8, 1999. The meeting was chaired by the Executive Director, Zhang Qingzhong 章庆忠 and attended by four directors, in compliance with the required number of attendees. It was resolved:

1. Change of company name. Company after the change: Shanghai Nanxiang Industrial Development Zone Industrial Co., Ltd 上海南翔工业开发区实业有限公司.
2. Change of legal representative. Legal Representative after the change: Zhang Jinde 张锦德.
3. Extension of period of operation. Period of operation after the extension: November, 2002.
4. Zhang Qingzhong terminates to be the Executive Director due to heavy workload but will continues to be director of the company.

These resolutions are effective immediately. All legal matters relating to the resolutions above will be handled by Zhang Qingzhong.

Executive Director: Zhang Jinde (Signature)


Vice Executive Director:

Directors: Zhang Jinde 张锦德
Zhang Qingzhong 章庆忠
Xu Long 徐龙 (Signatures)

Stamp: Shanghai Changxiang Industrial Co., Ltd

Date: November 25, 1999

This is Exhibit "RR" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

商標

企业名称预先核准申请书

申请企业名称	上海金嘉实业有限公司	
备选企业名称 (请选用不同的字号):	2/3. ①金源 ②金加	
1	①金源 ②金加 ③金众 ④金胜	⑤金源 ⑥金加
2	2/4. ①嘉嘉 ②嘉汉 ③金森 ④锡翔	⑤金盛 ⑥金德
3	⑦金鹰 ⑧嘉杰 ⑨金宏	⑩金材 ⑪金宗
经营范围 (只需填写与企业名称行业表述一致的主要业务项目): 木材, 板材 木制品的生产及销售, 加工.		
注册资本	1500万元	
企业类型	<input checked="" type="checkbox"/> 公司制 <input type="checkbox"/> 非公司制 <input type="checkbox"/> 个人独资 <input type="checkbox"/> 合伙	
住所	嘉善区南新镇东新塔8号	
投资人姓名或名称、证照号码、投资额和投资比例 (投资人写不下的, 可另备页面载明并签字盖章)		
马聪, 320106690914243, 出资1000万元占出资比例70%		
蔡学麟 32020452081200, 出资400万元占出资比例30%		

⑩金材
⑪金宗

Application for Pre-approval of Company Name

Name in application	Shanghai Jinjia Industrial Co., Ltd 上海金嘉实业有限公司
Alternative company names	Yinxiang 银翔 Xiangyin 翔银 Jinxin 金鑫 Hongjia 宏嘉 Sino Forest (pinyin: Jiahan) 嘉汉 Jinsen 金森 Jinying 金鹰 Jiajie 嘉杰 Jinyuan 金源 Jinjia 金加 Jinyang 金洋 Jincai 金材 Jinzhong 金众 Jinsheng 金盛 Jinsheng 金胜 Jinsui 金穗 Jinbao 金宝
Business Scope	sales and processing of timber and board
Registered Capital	RMB 15 million
Business Type	company
Address	No.8, Fengxiang Road, Nanxiang Town, Jiading District 嘉定区南翔镇丰翔路 8 号
Name, ID, contribution and contribution percentage of investor	Ma Cong 马聪 320106690914243 contribution RMB 10.5 million, 70%; Cai Xuelin 蔡学麟 320204560812001 contribution RMB 4.5 million, 30%.

This is Exhibit "SS" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

股东会决议

根据《中华人民共和国公司法》规定,全体股东于2005年8月1日在上海召开首次股东会议,本次会议由出资最多的股东召集和主持,并形成决议如下:

一、通过《上海 金材实业 有限公司章程》。

二、会议选举 马聪 为公司执行董事。

三、会议选举 蔡学康 为公司监事。

会议一致同意设立上海 金材实业 有限公司,并拟向公司登记机关申请设立登记。

全体股东(签字、盖章):



马聪

Resolutions of Board of Shareholders

Pursuant to the regulations of the *Company Law of the People's Republic of China*, all the company shareholders attended the first meeting of the board of shareholders in Shanghai on August 1, 2005, which was convened and hosted by the shareholder with the largest contribution, and the resolutions are made as below:

1. Passing the Articles of Association of Shanghai Jincal Industrial Co., Ltd;
2. Electing Ma Cong 马聪 as the executive director of the company;
3. Electing Cai Xuelin 蔡学麟 as the supervisor of the company;


It was unanimously agreed to establish Shanghai Jincal Industrial Co., Ltd and proposed that an application for company registration be made with the registration authority.

All the shareholders (Signature & Stamp):

Ma Cong 马聪

Cai Xuelin 蔡学麟

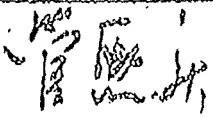
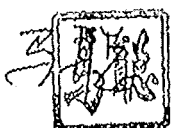
This is Exhibit "TT" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

公司设立登记申请书

名称	上海金材实业有限公司		
住所	上海嘉定区南翔工业园区丰翔路8号		
街道/乡镇	南翔镇	邮编	201802
法定代表人	马聪	服务及产生程序	执行董事兼经理 担任
注册资本	壹仟伍佰 (万元)	企业类型	有限责任公司
经营范围	木制品的加工, 木材, 人造板, 胶合板, 建筑装饰材料的销售, 商务咨询, 会展服务, 电脑图文设计制作。		
营业期限	自 年 月 日至 10年 月 日		
法定代表人签字:	被委托人签字: 		
	被委托人联系电话: 2780043		
2005年 8月 4日	05年 8月 4日		

注:

- ① 文件、证件应当使用 A4 纸。
- ② 应当使用钢笔、毛笔或签字笔工整地填写表格或签字。

Application for Registration of Company Establishment

Name	Shanghai Jincai Industrial Co., Ltd 上海金材实业有限公司
Address	No.8, Fengxiang Road, Nanxiang Industrial Park, Jiading District, Shanghai 上海市嘉定区南翔工业开发区丰翔路8号
Town	Nanxiang Town
Zip	201802
Legal Representative	Ma Cong 马聪 (recommended to be executive director & manager)
Registered Capital	RMB 15 million
Business Type	limited company
Business scope	processing wood products, sales of timber, artificial board, veneer board, construction and decoration materials, business consulting etc
Operation period	10 years

Signature of the legal representative: Ma Cong 马聪 (stamp)


Date: August 4, 2005

Signature of the trustee: (surnamed Guan)

Tel: 27802043

Date: August 4, 2005

This is Exhibit "UU" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

A

企业名称预先核准通知书

沪工商注名预核字第01200507250086号

根据《企业名称登记管理规定》、《企业名称登记管理实施办法》
等规定, 同意预先核准下列 2 个投资人出资, 注册资
本 1500.0000 万元(人民币)的企业名称为:

上海金材实业有限公司

投资人、投资额和投资比例为:

马聪	1050.0000万元	70.00%
蔡学麟	450.0000万元	30.00%

以上预先核准的企业名称保留期至2006年01月25日。在保留期内,
企业名称不得用于经营活动, 不得转让。经企业登记机关设立登记, 颁
发营业执照后企业名称正式生效。

六级注册官:



附承诺书

Notification for Pre-approval of Company Name

沪工商注名预核字第 01200507250086

Pursuant to the *Company Name Registration Management Regulations* and *Company Name Registration Management Application Methods*, the pre-approval for the name of the company which is with RMB 15 million of registered capital contributed by two investors is agreed upon as below:

Shanghai Jincai Industrial Co., Ltd 上海金材实业有限公司

Investor	Investment	Percentage
Ma Cong 马聪	RMB 10.5 million	70%
Cai Xuelin 蔡学麟	RMB 4.5 million	30%

The pre-approved company name shall be reserved until January 25, 2006. Within the period, the company name shall not be used in business operation or transferred. The name shall be effective after being registered in the company registration authority and a business license is issued.

Stamp: Shanghai AIC Name Registration Designated Stamp
July 26, 2005

This is Exhibit "VV" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海余姚实业有限公司股东会决定





根据《公司法》及本公司章程的有关规定，经本公司全体股东一致同意，不召开股东会会议，就以下事项达成一致意见，决定如下：

一、成立新一届股东会。

二、通过修改后的公司章程。

三、公司由于股东发生变动，原执行董事、监事自然免职，重新选举潘家杰为公司执行董事，蔡学麟为公司监事。

全体股东签字、盖章：

2007年11月13日

Resolutions of Board of Shareholders of Shanghai Jincai Industrial Co., Ltd

Pursuant to the regulars of the *Company Law* and the Articles of Association of the company, it was agreed by all the company shareholders without convening a shareholders' meeting that the following resolutions are made:

1. Establishing a new Board of Shareholders;
2. Passing the revised Articles of Association of the company
3. Due to the change of shareholders, the previous executive director and supervisor are dismissed. Thereafter, Poon Kai Kit 潘家杰 is the executive director and Cai Xuelin 蔡学麟 the supervisor.

Signature & Stamp of all the shareholders:

(stamp) Poon Kai Kit 潘家杰 Cai Xuelin 蔡学麟

November 13, 2007

This is Exhibit "WW" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

上海鑫村实业有限公司股东会决定

根据《公司法》及本公司章程的有关规定，经本公司全体股东一致同意，不召开股东会会议，就以下事项达成一致意见，决定如下：

一、股权转让：同意股东马聪自愿退出本公司将其所持公司70%的股权（合1050万元人民币），作价1050万元人民币转让给潘家杰。

二、股权转让后，公司股东持股情况如下：

潘家杰 出资额 1050万元，出资比例 70%。

蔡学麟 出资额 450万元，出资比例 30%。

全体股东签字、盖章：



马聪



蔡学麟

2007年11月13日

Resolutions of Board of Shareholders of Shanghai Jincai Industrial Co., Ltd

Pursuant to the regulations of the *Company Law* and the Articles of Association of the company, it was agreed by all the company shareholders without convening a shareholders' meeting that the following resolutions are made:

1. Equity transfer: it was agreed that Ma Cong withdraws the 70% of the company equity owned by him (priced at RMB 10.5 million) and assigns it to Poon Kai Kit 潘家杰 at RMB 10.5 million.
2. After the equity transfer, the shareholding of the company shall be as below:


Poon Kai Kit 潘家杰 contributes RMB 10.5 million, 70% of the total contribution;
Cai Xuelin 蔡学麟 contributes RMB 4.5 million, 30% of the total contribution.

Signature & Stamp of all the shareholders:

Ma Cong 马聪
Cai Xuelin 蔡学麟

November 13, 2007

This is Exhibit "XX" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR.
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

股权转让协议

本协议由以下各方于 2007 年 11 月 13 日在 南京 共同签署。

出让方: 马聪 (以下简称甲方), 证件号码: 320106690919243, 住所 南京市白下区三益里13号。

受让方: 潘家杰 (以下简称乙方), 证件号码: 44162319400161314, 住所 广东省连平县元善镇公园路3号。

根据有关法律、法规规定, 经本协议各方友好协商, 就 德盛树实业 有限公司 (以下简称标的公司) 股权转让事宜, 达成协议如下:


一、甲方将所持有标的公司 70 % 股权, 合 1050 万元人民币, 作价 1050 万元人民币转让给乙方。


二、附属于股权的其他权利和义务随股权的转让而转让。

三、乙方应于本协议签订之日起 30 日内, 向甲方付清全部股权转让价款。

四、本协议一式 4 份, 协议各方各持 1 份, 标的公司持 1 份, 报公司登记机关 1 份。

五、本协议经各方签字, 盖章后生效。

甲方 (签字, 盖章):  马聪

乙方 (签字, 盖章):  潘家杰

Equity Transfer Contract

This contract is hereby signed in this company on November 13, 2007 by the parties as below:

The Assignor: Ma Cong 马聪 (hereinafter referred to as Party A),
ID: 320106690914043,
Address: No.13, Sanyili, Baixia District, Nanjing 南京市白下区三益里 13 号

The Assignee: Poon Kai Kit 潘家杰 (hereinafter referred to as Party B),
ID: 441623194001061314
Address: No.3, Gongyuan Road, Yuanshan Town, Jianping County, Guangdong Province 广东省建平县元善镇公园路 3 号

Pursuant to the laws and regulations and with the friendly negotiations of all parties, an agreement on the transfer of the equity of Shanghai Jincai Industrial Co., Ltd was made as below:

1. Party A transfers the 70% equity he holds in the company, which is valued RMB 10.5 million, at the price of RMB 10.5 million to Party B;
2. The rights and obligations attached to the equity shall be transferred with the equity;
3. Within the day of signing this contract, Party B shall make all the payment for the equity transfer;
4. This contract has 4 copies, each party holding one copy, the company holding one copy, the company registration authority holding one copy.
5. The contract is effective after being signed and stamped by all parties.

Party A (signature & stamp): Ma Cong 马聪

Party B (signature & stamp): Poon Kai Kit 潘家杰

This is Exhibit "YY" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

名称核准号	320000M013744		注册号	321300000010838	
旧注册号	3213002101164				
企业信用等级	A				
企业名称(中文)	江苏大阳木业有限公司				
住所	宿迁经济开发区富民大道322号				
法定代表人证件号码	M0791931000		法定代表人姓名	陈德源	
所属行业	人造板制造		企业类型	有限责任公司(外国法人独资)	
登记机关	江苏省宿迁工商行政管理局		所属管区	宿迁工商行政管理局宿迁经济开发区分局	
注册币种	人民币		外商国别	英属维尔京群岛	
(单位:万元)					
投资总额	18,500	折美元	2,717.68	折人民币	18,500
注册资本	8,000	折美元	1,174.7	折人民币	8,000
外方认缴额	8,000	折美元	1,174.7	折人民币	8,000
设立日期	2003-08-19		年检日期	2011-08-14	
年检年度	2010				
许可经营项目	无。				
一般经营项目	木材加工及工程技术咨询服务;研发、制造、销售人造板。				
经营范围及方式					
重热点行业					
经营期限(起)	2003-08-19		经营期限(止)	2058-08-19	
发照日期			核准日期	2010-08-29	
对美元汇率	0.147		对人民币汇率	1.0	
副本份数	1		邮政编码	223800	
联系电话	84567007		传真		
投资性公司	否				
电子邮件			网址		
企业统一代码					
合作条件					
备注					

【股本】

股东名称	股东类型	证件类型	股东认缴额(万元)
英属维尔京群岛恒太控股有限公司	外国企业	注册证书	3,000

【企业业务沿革】

业务类型	核准日期	业务相关事项	当时企业登记信息	发照信息	业务办理	业务维护	是否撤销
开业核准	2003-08-19	无	查看	查看	查看	查看	未撤销
变更核准	2003-11-25	变更信息	查看	查看	查看	查看	未撤销

变更事项：注册资本变更
 备案事项：出资额比例备案、章程备案
 变更内容：（有内容则显示，没有则不显示）

企业

记录改变情况

字段	变化前内容	变化后内容
注册资金	100.0	600.0

三会成员/人员情况

变更后的内容

证件编号	证件类型	成员姓名(英文)	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	国籍(英文)	任职期限	代表身份	产生方式	打印标志	委派力	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	代表证编号
350500197502084012	身份证	黄脚榴	黄脚榴	董事										选举			1	353549	2234						
440305196305211543	身份证	熊方阔	熊方阔	监事										选举			1	353817	2234						
23102719371126502X	身份证	廖长录	廖长录	监事主席										选举			1	353815	2234						
320503610731102	身份证	陈华	陈华	董事长										选举			1	353550	2234						
370823610603112	身份证	林小妹	林小妹	监事										选举			1	353816	2234						
231027195812255057	身份证	熊雪平	熊雪平	董事兼总经理										选举			1	353551	2234						

变更前的内容

证件编号	证件类型	成员姓名(英文)	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任期限起	任期限止	代表身份	产生方式	打印标志	人员标志	人员标志	人员标志	委派企业主体编号	委派企业主体编号	委派企业主体编号	境内居住地址	联系电话	代表证编号	
320503610731102	身份证	陈华		董事长										选举		1	353550	2234							
231027195812255057	身份证	熊雪平		董事兼总经理										选举		1	353551	2234							
370323610603112	身份证	林小妹		监事										选举		1	353616	2234							
350500197502064012	身份证	黄卿榴		董事										选举		1	353549	2234							
440305196305211543	身份证	熊方闻		监事										选举		1	353617	2234							
23102719371126502X	身份证	廖长录		监事主席										选举		1	353615	2234							

股东

变更后的内容

股东类型	证件类型	证件编号	股东/合伙人名称	股东/合伙人地区	认缴出资额(人民币)	认缴出资额(美元)	对美元汇率	认缴出资额(人民币)	认缴出资额(美元)	对人民币的汇率	累计实缴出资额	折股股本数	投资性股东国别	投资性股东币种	投资性股东出资额	企业/人员序列号	企业/人员数据机构	企业/人员标志	企业/人员标志	企业/人员标志	是否合伙事务执行人	承担方式	合伙人住所	
境内中国公民	身份证	231027195812255057	熊雪平	中国	60.0		人民币									1	2234	353551						
境内中国公民	身份证	350500197502064012	黄卿榴	中国	360.0		人民币									1	2234	353549						
境内中国公民	身份证	320503610731102	陈华	中国	180.0		人民币									1	2234	353550						

变更前的内容:

股东类型	证件类型	证件编号	股东/合伙人名称	股东/合伙人地区	认缴出资额币种	对美元汇率	认缴出资额(万元)	对人民币的汇率	认缴出资额人民币(万元)	累计实出资	出资比例	折股股本数	投资性股东国别	投资性股东币种	投资性股东出资比例	投资性股东不出资额	企业/人员序列号	企业/机构	企业/人员识别	企业/人员识别	缴付期限	是否合伙企业事务执行人	承担责任方式	合伙人住所
境内中国公民	身份证	350500197502064012	黄御榕	中国	人民币	60.0											1	2234	353549					
境内中国公民	身份证	320503610731102	陈华	中国	人民币	30.0											1	2234	353550					
境内中国公民	身份证	231027195912255057	熊雪平	中国	人民币	10.0											1	2234	353551					

股东出资方式

变更后的内容:

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	180.0		3.609	30.0
货币	人民币	否	360.0		7.218	60.0
货币	人民币	否	50.0		1.203	10.0

变更前的内容:

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	10.0		1.203	10.0
货币	人民币	否	60.0		7.218	60.0
货币	人民币	否	30.0		3.609	30.0

企业实出资

变更后的内容:

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-11-23		3180.0					
2003-11-23		360.0					
2003-11-23		50.0					

企业应出资

变更后的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	180.0	0			
1	360.0	0			
1	50.0	0			

企业 记录改变情况			
字段	变化前内容	变化后内容	
实收资本		3590.0	
从业人数		2	
投资者人数/合伙人数量	3	2	

变更核准	2003-12-12	变更信息	查看	查看	查看	查看	未撤销
------	------------	------	----	----	----	----	-----

变更事项：名称变更
 备案事项：章程备案
 变更内容：（有内容则显示，没有则不显示）

企业 记录改变情况		
字段	变化前内容	变化后内容
企业名称	宿迁太阳木业有限公司	江苏太阳木业有限公司

三合成员/人员情况
 变更后的内容：

证件编号	证件类型	代表姓名(英文)	代表姓名(中文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任职期限起	任职期限	代表身份	产生方式	打印标志	委派方	人员标识	人员标识	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	代表证编号
23102719371126502X	身份证	廖长录		监事主席										选举			1	353615	2234					
320503610731102	身份证	陈华		董事长										选举			1	353550	2234					
370823610603112	身份证	林小妹		监事										选举			1	353616	2234					
350500197502064012	身份证	黄卿橙		董事										选举			1	353549	2234					
440305196305211543	身份证	熊方闻		监事										选举			1	353617	2234					
231027195812255057	身份证	熊雷平		董事兼总经理										选举			1	353551	2234					

变更前的内容

证件编号	证件类型	成员姓名(英文)	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任期限起	任期限止	代表身份	产生方式	打印标志	委派方	人员标识	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派企业主体编号	境内居住地址	联系电话	代表证编号
350500197502084012	身份证	黄卿榴	黄卿榴	董事										选举			1	353549	2234						
440305198305211543	身份证	熊方阔	熊方阔	监事										选举			1	353617	2234						
23102719371128502X	身份证	廖长录	廖长录	监事主席										选举			1	353615	2234						
320503610731102	身份证	陈华	陈华	董事长										选举			1	353550	2234						
370823810603112	身份证	林小妹	林小妹	监事										选举			1	353616	2234						
231027195812255057	身份证	熊雪平	熊雪平	董事兼总经理										选举			1	353551	2234						

股东

变更后的内容

股东类型	证件类型	证件编号	股东名称	股东(地区)	认缴出资额(人民币)	认缴出资额(美元)	对人民币的汇率	认缴出资额(人民币)	认缴出资额(美元)	对人民币的汇率	累计实缴出资额	折股股本数	投资性股东币种	投资性股东比例	投资性股东出资比例	企业/人员序列号	企业/人员数据机构	企业/人员标识	企业/人员标识	企业/人员标识	是否合伙事务执行人	是否合伙事务执行人	是否合伙事务执行人	
境内中国公民	身份证	320503610731102	陈华	中国	180.0		人民币									1	2234	353550						
境内中国公民	身份证	350500197502084012	黄卿榴	中国	360.0		人民币									1	2234	353549						
境内中国公民	身份证	231027195812255057	熊雪平	中国	60.0		人民币									1	2234	353551						

变更前的内容

股东类型	证件类型	证件编号	股东/合伙企业名称	股东/合伙企业(地区)	认缴出资额(美元)	认缴出资额(人民币)	对人民币的汇率	未缴折人民币(万元)	未缴折人民币(美元)	累计实缴出资额	折股股本数	投资性股本币种	投资性股本比例	企业/人员序号	企业/机构	缴付期限	企业/人员	是否合伙事务执行人
境内中国公民	身份证	231027195812255057	熊雪平	中国	80.0	人民币								1	2234		353551	
境内中国公民	身份证	350500197502084012	黄柳榕	中国	360.0	人民币								1	2234		353549	
境内中国公民	身份证	320503610731102	陈华	中国	180.0	人民币								1	2234		353550	

股东出资方式

变更后的内容

出资方式	出资币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	180.0		3.609	30.0
货币	人民币	否	360.0		7.218	60.0
货币	人民币	否	50.0		1.203	10.0

变更前的内容

出资方式	出资币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	180.0		3.609	30.0
货币	人民币	否	360.0		7.218	60.0
货币	人民币	否	50.0		1.203	10.0

企业实出资

变更后的内容

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额折人民币	评估方式
2003-11-23		50.0					
2003-11-23		3180.0					
2003-11-23		360.0					

变更前的内容

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额折人民币	评估方式
2003-11-23		3180.0					
2003-11-23		360.0					
2003-11-23		50.0					

企业应出资

变更后的内容

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	360.0	0			
1	50.0	0			
1	180.0	0			

变更前的内容

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	160.0	0			
1	360.0	0			
1	50.0	0			

企业 记录改变情况		
字段	变化前内容	变化后内容
从业人数	2	3
投资者人数/合伙人数量	2	3

变更核准	2004-03-05	变更信息	查看	查看	查看	查看	未撤销
------	------------	------	----	----	----	----	-----

变更事项：股东变更、股东名称变更、注册资本变更
 备案事项：财产权转移备案、出资额比例备案、章程备案
 变更内容：（有内容则显示，没有则不显示）

企业 记录改变情况		
字段	变化前内容	变化后内容
注册资金	600.0	1000.0

三会成员/人员情况
变更后的内容

证件编号	证件类型	姓名	职务	年龄 (中文)	性别 (中文)	国籍 (中文)	国籍 (英文)	任职期限	代表机构	产生方式	打印标志	委派方	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	代表证编号
350500197502064012	身份证	黄卿	董事							选举			1	353549	2234						
440305196305211543	身份证	熊方闻	监事							选举			1	353617	2234						
231027195812255057	身份证	熊雪平	董事兼总经理							选举			1	353551	2234						
320503810731102	身份证	陈华	董事长							选举			1	353550	2234						
370823810603112	身份证	林小妹	监事							选举			1	353618	2234						
23102719371128502X	身份证	廖长录	监事主席							选举			1	353615	2234						

变更前的内容

股东类型	证件类型	证件编号	股东姓名	国籍/地区	认缴出资额(万元)	认缴出资额人民币(万元)	对美元汇率	是否实缴	累计实缴出资额	出资比例	折股股本数	投资性股东国别	投资性股东币种	投资性股东出资比例	企业/人员序列号	企业/人员识别	缴付期限	是否是企业/人员	是否承担连带责任	是否合伙企业/住所
境内中国公民	身份证	320503610731102	陈华	中国	180.0	人民币									1	2234	353550			
境内中国公民	身份证	350500197502064012	黄卿榴	中国	360.0	人民币									1	2234	353549			
境内中国公民	身份证	231027195812255057	熊雪平	中国	60.0	人民币									1	2234	353551			

股东出资方式

变更后的内容

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	100.0		1.203	10.0
货币	人民币	否	600.0		7.219	60.0
货币	人民币	否	300.0		3.609	30.0

变更前的内容

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币	人民币	否	180.0		3.609	30.0
货币	人民币	否	360.0		7.218	60.0
货币	人民币	否	50.0		1.203	10.0

企业实出资

变更后的内容

实际出资时间	出资来源	实际出资额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-11-23		300.0					
2003-11-23		600.0					
2003-11-23		100.0					

变更前的内容

实际出资时间	出资来源	实际出资额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-11-23		50.0					
2003-11-23		3180.0					
2003-11-23		360.0					

变更前的内容

证件编号	证件类型	代表姓名(英文)	成员姓名(中文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	特(英文)	任期限定	任职期限	代表身份	产生方式	打印标记	人员标识	人员标识	人员标识	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	代表证编号	联系电话
23102719371128502X	身份证	梁长录		监事主席											选举										1 353615 2234
320503610731102	身份证	陈华		董事长											选举										1 353550 2234
370823610803112	身份证	林小林		监事											选举										1 353616 2234
350500197502064012	身份证	黄卿瑜		董事											选举										1 353549 2234
440305196305211543	身份证	熊雪平		监事											选举										1 353817 2234
231027195812255057	身份证	熊雪平		董事兼总经理											选举										1 353551 2234

股东变更后的内容

证件类型	证件编号	股东姓名	股东(地区)	认缴出资额(人民币)	认缴出资额(美元)	对人民币的汇率	币种	实缴出资	折股股本数	投资性股东比例	投资性股东比例	投资性股东比例	企业/人员数据机构	企业/人员数据机构	企业/人员数据机构	是否合伙事务执行人	承担方式	合伙人住所
境内中国公民	身份证	熊雪平	中国	100.0			人民币									1	2234	353551
境内中国公民	身份证	陈华	中国	300.0			人民币									1	2234	353550
境内中国公民	身份证	黄卿瑜	中国	600.0			人民币									1	2234	353549

企业应出资

变更后的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	500.0	0			
1	300.0	0			
1	100.0	0			

变更前的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	360.0	0			
1	50.0	0			
1	180.0	0			

企业

记录改变情况:

字段	变化前内容	变化后内容
实收资本	3590.0	1000.0
从业人数	3	
投资者人数/合伙人人数	3	0

变更核准	2004-07-21	变更信息	查看	查看	查看	查看	未撤销
------	------------	------	----	----	----	----	-----

变更事项: 股东变更

备案事项: 财产权转移备案、出资额比例备案、董监事备案、章程备案

变更内容: (有内容则显示, 没有则不显示)

三会成员/人员情况

变更后的内容:

证件编号	证件类型	代表姓名(英文)	代表姓名(中文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任职期限起	任职期限止	代表身份	产生方式	打印标志	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派时间	居住地址	联系电话	代表证编号	
440301198411126419	身份证	汪玮	汪玮	监事										选举		1	358806	2234						
440224185811051212	身份证	汪惠生	汪惠生	董事兼总经理										选举		1	358802	2234						
350500197502064012	身份证	黄卿增	黄卿增	董事										选举		1	353549	2234						
440224610610120	身份证	陈丽云	陈丽云	监事										选举		1	358805	2234						
320503610731102	身份证	陈华	陈华	董事长										选举		1	353550	2234						
612101630701042	身份证	李琼	李琼	监事										选举		1	353804	2234						

变更前的内容

证件编号	证件类型	成员姓名(英文)	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任职期限起	任职期限止	代表身份	代办机构	产生方式	打印标志	委派方	人员标识	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派企业主体编号	境内居住地址	联系电话	代表证编号
350500197502064012	身份证	黄翎	黄翎	董事											选举			1	353549	2234						
440305196305211543	身份证	熊方	熊方	监事											选举			1	353617	2234						
231027195812255057	身份证	熊雪平	熊雪平	董事兼总经理											选举			1	353551	2234						
320503610731102	身份证	陈华	陈华	董事长											选举			1	353550	2234						
370823610603112	身份证	林小妹	林小妹	监事											选举			1	353616	2234						
23102719371126502X	身份证	廖长录	廖长录	监事主席											选举			1	353615	2234						

股东

变更后的内容

证件编号	证件类型	股东名称	认缴出资额(人民币)	实缴出资额	出资方式	折股股本	是否合办	是否合办	是否合办	是否合办	是否合办	是否合办
440224195811051212	身份证	汪惠生	50.0			0.0000010	1	2234	358802			
320503610731102	身份证	陈华	300.0	人民币			1	2234	353550			
612101600127041	身份证	黄志刚	50.0			0.0000010	1	2234	358803			
350500197502064012	身份证	黄翎	600.0	人民币			1	2234	353549			

变更前的内容

股东类型	证件类型	证件编号	股东名称	认缴出资额(万元)	认缴出资额折合人民币(万元)	认缴出资额折合美元(万元)	出资方式	是否实缴	是否承担连带责任
境内中国公民	身份证	231027195812255057	熊雪平	100.0	人民币		货币	否	否
境内中国公民	身份证	320503610731102	陈华	300.0	人民币		货币	否	否
境内中国公民	身份证	350500197502064012	董御楷	600.0	人民币		货币	否	否

变更后的内容

出资方式	出资额币种	财产已转移	出资额	评估方式	出资额折美元(万元)	出资额折人民币(万元)
货币	人民币	否	50.0			
货币	人民币	否	600.0		7.218	60.0
货币	人民币	否	50.0			
货币	人民币	否	300.0		3.609	30.0

变更前的内容

出资方式	出资额币种	财产已转移	出资额	评估方式	出资额折美元(万元)	出资额折人民币(万元)
货币	人民币	否	100.0		1.203	10.0
货币	人民币	否	600.0		7.218	60.0
货币	人民币	否	300.0		3.609	30.0

企业实出资

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额折人民币	评估方式
2003-11-23		600.0					
2003-08-19		50.0					
2003-11-23		300.0					
2003-08-19		50.0					

变更前的内容

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额折人民币	评估方式
2003-11-23		300.0					
2003-11-23		600.0					
2003-11-23		100.0					

企业应出资

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	300.0	0			
1	50.0	0			
1	50.0	0			
1	600.0	0			

变更前的内容

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	600.0	0			
1	300.0	0			
1	100.0	0			

企业 记录改变情况			
字段	变化前内容	变化后内容	
从业人数		3	
投资者人数/合伙人人数	0	3	

变更核准	2004-11-16	变更信息	查看	查看	查看	查看	未撤销
------	------------	------	----	----	----	----	-----

变更事项：法定代表人变更、股东变更
 备案事项：财产权转移备案、出资额比例备案、董监事备案、其它备案、章程备案
 变更内容：（有内容则显示，没有则不显示）

企业 记录改变情况		
字段	变化前内容	变化后内容
所属管区	江苏省宿迁工商行政管理局	宿迁工商行政管理局宿迁经济开发区分局
法定代表人证件号码	320503610731102	110101321130455
法定代表人/负责人姓名	陈华	郭庆全

三会成员/人员情况

变更后的内容	证件编号	证件类型	成员姓名	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任期限起	任期限止	代表身份	产生方式	打印标志	人员标识	人员标识	委派企业主体编号	委派企业主体编号	委派企业主体编号	境内居住地址	联系电话	代表证编号
	612101530701042	身份证	李应		监事										选举		1	358204	2234	0	0	0		
	612101196001270411	身份证	黄志刚		董事兼副总经理										选举		1	358803	2234	0	0	0		
	350500820907401	身份证	高猛		董事										选举		1	361163	2234	0	0	0		
	440224195811051212	身份证	汪惠生		董事兼总经理										选举		1	358802	2234	0	0	0		
	440224610610120	身份证	陈丽云		监事										选举		1	358805	2234	0	0	0		
	110101321130455	身份证	郭庆全		董事长										选举		1	361162	2234	0	0	0		
	510522197604206489	身份证	罗费连		董事										选举		1	361164	2234	0	0	0		
	440301198411128419	身份证	庄玮		监事										选举		1	358806	2234	0	0	0		

变更前的内容:

股东类型	证件类型	证件编号	股东名称	股东国别(地区)	认缴出资额币种	认缴出资额(美元)	认缴出资额(人民币)	未缴折人民币(元)	未缴折美元(元)	累计实缴出资额	出资比例	折股股本	折股款	投资性股东国别	投资性股东出资比例	企业人员序列号	企业人员机构	缴付期限	企业人员	是否承担连带责任
境内中国公民	身份证	440224195811051212	汪惠生		人民币	50.0				0.000010						1	2234	358802		
境内中国公民	身份证	3205036107311102	陈华	中国	人民币	300.0										1	2234	353550		
境内中国公民	身份证	612101600127041	黄志刚		人民币	50.0				0.000010						1	2234	358803		
境内中国公民	身份证	350500197502084012	黄柳榕	中国	人民币	600.0										1	2234	353549		

变更后的内容:

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币		否	300.0			
货币		否	50.0			
货币		否	300.0			
货币		否	300.0			
货币		否	50.0			

变更前的内容:

出资方式	出资数额币种	财产已转移	出资金额	评估方式	出资金额折美元(万元)	出资金额折人民币(万元)
货币		否	50.0			
货币	人民币	否	600.0		7.218	60.0
货币		否	50.0			
货币	人民币	否	300.0		3.609	30.0

企业实出资

变更后的内容:

实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-08-19		300.0					
2003-08-19		300.0					
2003-08-19		50.0					
2003-08-19		50.0					
2003-08-19		300.0					

变更前内容

证件编号	证件类型	成员姓名(中文)	代表姓名(英文)	职务	年龄(中文)	年龄(英文)	性别(中文)	性别(英文)	国籍(中文)	国籍(英文)	任职期限起	任职期限止	代表身份	产生方式	打印标记	人员标识	人员标识	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	
440301193411128419	身份证	汪玮		监事										选举		1	358906	2234					
440224195811051212	身份证	汪惠生		董事兼总经理										选举		1	358802	2234					
350500197502084012	身份证	黄卿瑜		董事										选举		1	353549	2234					
440224610610120	身份证	陈丽云		监事										选举		1	358905	2234					
320503610731102	身份证	陈华		董事长										选举		1	353550	2234					
612101630701042	身份证	李琼		监事										选举		1	358904	2234					

股东

变更后内容

证件类型	证件编号	股东姓名	认缴出资额(人民币)	实缴出资额(人民币)	出资比例	出资方式	投资性股本	投资性股本币种	是否承担	是否执行
境内中国公民	身份证	汪惠生	50.0		0.000010		1	2234	358802	
境内中国公民	身份证	黄志刚	50.0		0.000010		1	2234	358803	
境内中国公民	身份证	罗贵莲	300.0		0.000010		1	2234	361164	
境内中国公民	身份证	郭庆全	300.0		0.000010		1	2234	361162	
境内中国公民	身份证	高猛	300.0		0.000010		1	2234	361163	

变更前的内容:

实际出资时间	出资方式	实际出资金额	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-11-23		600.0				
2003-08-19		50.0				
2003-11-23		300.0				
2003-08-19		50.0				

企业应出资

变更后的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	300.0	0			
1	300.0	0			
1	300.0	0			
1	50.0	0			
1	50.0	0			

变更前的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
1	300.0	0			
1	50.0	0			
1	50.0	0			
1	800.0	0			

企业

记录改变情况:

字段	变化前内容	变化后内容
从业人数	3	87
雇工人数		82
安置国营下岗职工数		0

变更核准	2006-04-12	变更信息	查看	查看	查看	查看	未撤销
------	------------	------	----	----	----	----	-----

变更事项: 企业住所变更

备案事项: 章程备案

变更内容: (有内容则显示, 没有则不显示)

企业

记录改变情况:

字段	变化前内容	变化后内容
企业住所	宿迁经济开发区	宿迁经济开发区富民大道322号

企业		记录变更情况						
字段		变化前内容			变化后内容			
外商外方认缴出资额(美元)					0.0			
投资总额折人民币(万元)					0.0			
注册资金折人民币(万元)					0.0			
外方认缴出资额(人民币)					0.0			
外商注册资金折美元(万元)					0.0			
外商投资总额					0.0			
投资总额折美元(万元)					0.0			
外商外方认缴额					0.0			
企业法人固定资金					0.0			
企业法人流动资金					0.0			
管理人员数					0			
技术人员数					0			
生产(业务)人员数					0			
从业人数		87			5			
其他人员数					0			
执行人数					0			
投资者人数/合伙人数		3			5			
雇工人数		82			5			
投资者中下岗职工数					0			
雇工中下岗职工数					0			
换号核准	2006-04-12	无	查看	查看	查看	查看	未撤销	
变更核准	2006-01-28	变更信息	查看	查看	查看	查看	未撤销	
变更事项: 股东变更								
备案事项: 章程备案								
变更内容: (有内容则显示, 没有则不显示)								

股东
变更后内容:

股东 证件类型 证件编号	股东 名称 (地区)	股 东 出 资 金 种 类 (万 元)	股 东 出 资 金 种 类 (万 元)	对 人 民 币 的 汇 率 (%)	股 东 出 资 金 种 类 (万 元)	股 东 出 资 金 种 类 (万 元)	出 资 百 分 比	折 股 本 数	投 资 性 股 东 国 别 别	投 资 性 股 东 出 资 额	外 商 投 资 性 股 东 比 例	企 业 人 员 序 列 号	企 业 人 员 数 据 机 构	缴 付 期 限	企 业 人 员 标 识	承 担 任 务 所	是 否 合 伙 事 务 执 行 人
境内 中国 公民 身份证 440224195811051212	汪 惠 生	50.0					0.000010					1 2234	358802				
境内 中国 公民 身份证 812101196001270411	黄 志 刚	50.0					0.000010					1 2234	358803				
境内 中国 公民 身份证 110101321130455	郭 庆 全	300.0					0.000010					1 2234	361162				
境内 中国 公民 身份证 320503610731102	陈 华	中国 300.0 人民币	0.0	0.0	300.0	0.000030			否			1 2234	353550				有 限 责 任
境内 中国 公民 身份证 350500820907401	高 猛	300.0					0.000010					1 2234	361163				

变更前的内容

股东类型	证件类型	证件编号	姓名	出资额	币种	出资方式	是否实缴资本	折股股本	折股比率	是否企业/自然人	企业/自然人序号	是否承担有限责任
境内中国公民	身份证	440224195811051212	汪惠生	50.0	人民币			0.0000010		是	2234	358802
境内中国公民	身份证	512101196001270411	黄志刚	50.0	人民币			0.0000010		是	2234	358803
境内中国公民	身份证	510522197604206489	罗贵莲	300.0	人民币			0.0000010		是	2234	361164
境内中国公民	身份证	110101321130455	郭庆全	300.0	人民币			0.0000010		是	2234	361162
境内中国公民	身份证	350500820907401	高猛	300.0	人民币			0.0000010		是	2234	361163

变更后出资方式

变更后的内容						
出资方式	出资额币种	财产已转移	出资额	评估方式	出资额折美元(万元)	出资额折人民币(万元)
货币		否	300.0			
货币		否	50.0			
货币	人民币	否	300.0		0.0	300.0
货币		否	300.0			
货币		否	50.0			
变更前的内容						
出资方式	出资额币种	财产已转移	出资额	评估方式	出资额折美元(万元)	出资额折人民币(万元)
货币		否	300.0			
货币		否	50.0			
货币		否	300.0			
货币		否	300.0			
货币		否	50.0			

三合成员/人员情况
变更后的内容

证件编号	证件类型	成员姓名(文)	代表姓名(英)	职务	年龄(中/英/文)	性别(中/英/文)	国籍(中/英/文)	国籍(中/英/文)	任职期限	代表身份	产生方式	打印标志	委派方	人员标识	人员标识	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	代表证编号
320503196107311027	身份证	陈华		董事							任命			1	19972399	1402					
10791931000	身份证	陈德源		董事长							任命			1	4954474	2234					
110108197204252319	身份证	李明臣		总经理							聘用			1	13130123	2234					
110108195711182213	身份证	赵伟茂		董事							任命			1	4073449	1402					
452502197110098238	身份证	吴永争		监事							任命			1	13130122	2234					

企业实出资							
变更后的内容							
实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-08-19		300.0					
2003-08-19		300.0					
2003-08-19		50.0					
2003-08-19		50.0					
2008-01-28		300.0			0.0	300.0	
变更前的内容							
实际出资时间	出资来源	实际出资金额	出资方式	实际出资汇率	实际金额折美元	实际金额人民币	评估方式
2003-08-19		300.0					
2003-08-19		300.0					
2003-08-19		50.0					
2003-08-19		50.0					
2003-08-19		300.0					
企业应出资							
变更后的内容							
期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币		
1	300.0	0					
1	300.0	0	2008-01-27	0.0	300.0		
1	300.0	0					
1	50.0	0					
1	50.0	0					
变更前的内容							
期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币		
1	300.0	0					
1	300.0	0					
1	300.0	0					
1	50.0	0					
1	50.0	0					
企业记录改变情况							
序号	变化前内容	变化后内容					
1	从业人数	5	10				
变更核准	2008-01-29	变更信息	查看	查看	查看	查看	未撤销
变更事项: 股东变更							
备案事项:							
变更内容: (有内容则显示, 没有则不显示)							
变更核准	2010-06-29	变更信息	查看	查看	查看	查看	未撤销
变更事项: 注册资本变更, 实收资本变更, 法定代表人姓名							
备案事项: 董事, 监事, 经理备案, 章程备案							
变更内容: (有内容则显示, 没有则不显示)							
企业记录改变情况							
序号	变化前内容	变化后内容					
1	法定代表人证件号码	8121016001270411	10791931000				
1	法定代表人(负责人)姓名	黄志刚	陈清源				
1	注册资金	1000.0	8000.0				

变更前内容:

证件编号	证件类型	姓名(中文)	姓名(英文)	职务	国籍	国籍(英文)	性别	年龄	年龄(英文)	任职期限	代表身份	产生方式	打印标志	委派方	人员标识	人员标识	委派企业主体编号	委派企业主体编号	入境时间	境内居住地址	联系电话	代表证编号	
440221195311051212	身份证	汪惠生		董事	中国	中国								委派			1.358802.2234						
P166226(4)	身份证	成林		董事	中国	中国								委派			1.5473148.2234						
6121016001270411	身份证	黄志刚		总经理	中国	中国								聘用			1.5473147.2234						
6121016001270411	身份证	黄志刚		董事长	中国	中国								委派			1.5473147.2234						
433022196601134919	身份证	廖春和		董事	中国	中国								委派			1.5473149.2234						

英属维尔京群岛恒太控股有限公司 英属维尔京群岛恒太控股有限公司 英属维尔京群岛恒太控股有限公司

变更后的内容															
股东 变更后的内容	证 件 类 型	证 号	编 号	股 东 名 称	股 东 类 别	股 东 住 址	股 东 所 在 地	股 东 出 资 种 类	股 东 出 资 金 额	对 美 元 汇 率	股 东 出 资 折 扣 率	对 人 民 币 的 汇 率	股 东 出 资 折 扣 率	是否 是 合 伙 承 担 执 行 人 承 担 执 行 人 承 担 执 行 人 承 担 执 行 人 承 担 执 行 人	
英国维尔京群岛恒犬控股有限公司	外国企业	1445474		英属维尔京群岛恒犬控股有限公司	英属维尔京群岛	8000.0	人民币	0.000000147	1178.0	0.0	0.0000010	8000.0	8000.0	否	有限责任
变更前的内容															
英国维尔京群岛恒犬控股有限公司	外国企业	1445474		英属维尔京群岛恒犬控股有限公司	英属维尔京群岛	1000.0	人民币	0.0000001457	145.7	0.0	0.0000010	1000.0	1000.0	否	有限责任

被不出资方式

变更后的内容:

出资方式	出资额币种	财产已转移	出资额	评估方式	出资额折美元(万元)	出资额折人民币(万元)
货币	人民币	否	8000.0		1175.0	8000.0

企业买出资

变更后的内容:

实际出资时间	出资来源	实际出资额	出资方式	实际出资汇率	实际金额折美元	实际金额折人民币	评估方式
2008-07-03	境外	1000.0	货币	0.0000001457	145.7	1000.0	
2010-06-11	境外	7000.0	货币	0.000000147	1029.0	7000.0	

企业应出资

变更后的内容:

期数	承诺金额	承诺期限(月)	承诺期限至	认缴金额折美元	认缴金额折人民币
2	1400.0	0	2010-06-27	205.8	1400.0
3	5600.0	24	2012-06-27	823.2	5600.0
1	1000.0	0	2008-07-02	145.7	1000.0

项目审批情况

变更后的内容:

许可证号(批准文号)	名称	许可内容	许可证号(批准文号)	发证部门	审批机关	发证日期	审批日期	审批类型	有效期开始日期	有效期结束日期	负责人姓名	地址	许可证状态
	批准证书			江苏省人民政府		2010-06-28		前置审批					
	批准证书			江苏省人民政府		2006-06-06		前置审批	2006-07-06				

变更前的内容:

许可证号(批准文号)	名称	许可内容	许可证号(批准文号)	发证部门	审批机关	发证日期	审批日期	审批类型	有效期开始日期	有效期结束日期	负责人姓名	地址	许可证状态
	批准证书			江苏省人民政府		2006-06-06		前置审批	2006-07-06				

企业

记录变更情况:

字段	变化前内容	变化后内容
实收资本	1000.0	8000.0
外商外方认缴额折美元(万元)	145.7	1174.7
投资总额折人民币(万元)	1400.0	13500.0
注册资金折人民币(万元)	1000.0	8000.0
外方认缴额折人民币(万元)	1000.0	8000.0
外商注册资金折美元(万元)	145.7	1174.7
外商投资总额	1400.0	13500.0
投资总额折美元(万元)	203.99	2717.69
外商外方认缴额	1000.0	8000.0
邮政编码	223814	223800

Company registration records of Jiangsu Dayang Wood Co., Ltd.江苏大阳木业有限公司

Name Approval No.	320000M013744
Registration No.	321300000010898
Former Registration No.	3213002101164
Enterprise Credit Level	A
Enterprise Name	Jiangsu Dayang Wood Co., Ltd.江苏大阳木业有限公司
Address	No. 322 Fumin Avenue, Economic Development Zone, Suqian City 宿迁经济开发区富民大道 322 号
ID of Legal Representative	H0791931000
Legal Representative	Chan Tak Yuen 陈德源
Industry	Artificial board manufacturing
Enterprise Type	Co., Ltd (wholly foreign invested)
Registration Authority	Jiangsu Suqian AIC
Authority District	Suqian AIC Suqian Economic Development Zone Branch
Registration Currency	RMB
Country of Foreign Investor	British Virgin Islands

(Unit: RMB 10,000)

Total Investment	18,500	USD	2,717.68	RMB	18,500
Registered Capital	8,000	USD	1,174.7	RMB	8,000
Foreign Paid-in Capital	8,000	USD	1,174.7	RMB	8,000

Date of Establishment	19-August-2003
Annual Inspection Date	14-June-2011
Annual Inspection Year	2010
Licensed Business Scope	None
Regular Business Scope	Timber processing and engineering technical consulting services; R&D, manufacturing and sales of artificial boards.
Period of Operation	19-August-2003 to 19-August-2058
Date of Approval	29-June-2010
USD exchange rate	0.147
RMB exchange rate	1.0
Copies	1
ZIP	223800

Phone number	84567007
Investment company	Negative

Shareholder

Shareholder name	Shareholder type	Certification type	Contribution (RMB '0,000))
British Virgin Islands Homix Limited 英属维尔京群岛恒大控股有限公司	Foreign company	Registration certificate	8,000

Company changes

2003-11-25

Item	Before	After
Registered Capital	100.0	600.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林小妹	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected

231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB
Chinese citizen	35050197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB

Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	60.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	30.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	10.0	RMB

Shareholder contribution

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Key executives Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	10.0	1,203	10.0
Monetary contribution	RMB	Negative	60.0	7,218	60.0
Monetary contribution	RMB	Negative	30.0	3,609	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	3180.0
2003-11-23	360.0
2003-11-23	50.0

Capital contribution agreed

After the change

Phase	Amount agreed
1	180.0
2	36.0
3	50.0

Change status

	Before	After
Paid in capital		3590.0
No. of employees		2
No. of investors	3	2

2003-12-12

Item	Before	After
Company name	Suqian Dayang Wood Co., Ltd. 宿迁大阳木业有限公司	Jiangsu Dayang Wood Co., Ltd. 江苏大阳木业有限公司

Key executives after the change

Card No.	Card Type	Name	Position	Mode
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General	Elected

			Manager	
--	--	--	---------	--

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB

Shareholder Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0

Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	50.0
2003-11-23	3180.0
2003-11-23	360.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-11-23	3180.0
2003-11-23	360.0
2003-11-23	50.0

2004-03-05

Item	Before	After
Registered Capital	600.0	1,000.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊 雪平	China	100.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿 榴	China	600.0	RMB

Shareholder Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB
Chinese citizen	35000197502064012	Huang Qingliu 黄卿 榴	China	360.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊 雪平	China	60.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution	RMB	Negative	100.0	1,203	10.0
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Shareholders after the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	300.0
2003-11-23	600.0
2003-11-23	100.0

Shareholders after the change

Date of paid-in	Paid-in capital
2003-11-23	50.0
2003-11-23	3180.0
2003-11-23	360.0

Item	Before	After
Paid-in Capital	3590.0	1000.0

2004-07-21

Key executives after the change

Card No.	Card Type	Name	Position	Mode
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected
440224195811051212	ID Card	Wang Huisheng	Director &	Elected

		汪惠生	General Manager	
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440224610610120	ID Card	Chen Liyun 陈 丽云	Supervisor	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	44022419581105121	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	612101600127041	Huang Zhigang 黄 志刚		50.0	

Chinese citizen	35000197502064012	Huang Qingliu 黄 卿榴	China	600.0	RMB
-----------------	-------------------	--------------------------	-------	-------	-----

Shareholder Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊 雪平	China	100.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿 榴	China	600.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	100.0	1,203	10.0
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution	RMB	Negative	300.0	3,619	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	600.0
2003-08-19	50.0

2003-11-23	300.0
2003-08-19	50.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-11-23	300.0
2003-11-23	600.0
2003-11-23	100.0

2004-11-16

Item	Before	After
District Authority	Jiangsu Suqian AIC	Suqian AIC Suqian Economic Development Zone Branch
ID of Legal Representative	320503610731102	110101321130455
Legal Representative	Chen Hua 陈华	Guo Qingquan 郭庆全

Key executives after the change

Card No.	Card Type	Name	Position	Mode
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected
612101196001270411	ID Card	Huang Zhigang 黄志刚	Director & Deputy General Manager	Elected
350500820907401	ID Card	Gao Meng 高猛	Director	Elected
440224195811051212	ID Card	Wang Huisheng 汪惠生	Director & General Manager	Elected
440224610610120	ID Card	Chen Liyun 陈丽云	Supervisor	Elected
110101321130455	ID Card	Guo Qingquan 郭庆全	Chairman	Elected
510522197604206489	ID Card	Luo Guilian 罗贵连	Director	Elected
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected

440224195811051212	ID Card	Wang Huisheng 汪惠生	Director & General Manager	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440224610610120	ID Card	Chen Liyun 陈 丽云	Supervisor	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄 志刚		50.0	
Chinese citizen	510522197604206489	Luo Guilian 罗贵连		300.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	612101600127041	Huang Zhigang 黄 志刚		50.0	
Chinese citizen	350500197502064012	Huang Qingliu 黄卿 榴	China	600.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2003-08-19	300.0

Shareholders after the change

Date of paid-in	Paid-in capital
2003-11-23	600.0
2003-08-19	50.0
2003-11-23	300.0
2003-08-19	50.0

2006-04-12

Item	Before	After
------	--------	-------

Address	Economic Development Zone, Suqian City 宿迁经济开发区	No. 322 Fumin Avenue, Economic Development Zone, Suqian City 宿迁经济开发区 富民大道 322 号
Total Staff	87	5
Investors/partners	3	5
Total Employees	82	5

2008-01-28

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄志刚		50.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholder Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄志刚		50.0	
Chinese citizen	510522197604206489	Luo Guilian 罗贵连		300.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	0	300.0
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2008-01-28	300.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2003-08-19	300.0

2010-06-29

Item	Before	After
ID of Legal Representative	6121016001270411	H0791931000
Legal Representative	Huang Zhigang 黄志刚	Chan Tak Yuen 陈德源
Registered Capital	1000.0	8000.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
320503196107311027	ID Card	Chen Hua 陈华	Director	Appointment
H0791931000	ID Card	Chan Tak Yuen 陈德源	Chairman	Appointment
110108197204252319	ID Card	Li Mingchen 李明臣	General Manager	Recruiting
110108195711182213	ID Card	Zhao Weimao 赵伟茂	Director	Appointment
452502197110098238	ID Card	Wu Yongzheng 吴永争	Supervisor	Appointment

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
440224195811051212	ID Card	Wang Huisheng 汪惠生	Supervisor	Appointed by British Virgin Islands Homix Limited
P166226(4)	ID Card	Cheng Lin 成林	Director	Appointed by British Virgin Islands Homix Limited
6121016001270411	ID Card	Huang Zhigang 黄志刚	General Manager	Recruited
6121016001270411	ID Card	Huang Zhigang 黄志刚	Chairman	Appointed by British Virgin Islands Homix Limited
433022196601134919	ID Card	Liao Chunhe 廖春和	Director	Appointed by British Virgin Islands Homix Limited

Shareholder after the change

Type of Shareholder	Foreign company
Registration Certificate No.	1445474
Shareholder Name	British Virgin Islands Homix Limited
Country / Area	British Virgin Islands
Contribution	8,000.0
Currency	RMB
USD exchange rate	0.000000147
USD (10,000)	1176.0
RMB exchange rate	0.0000010
RMB (10,000)	8,000.0
Accumulated Contribution	8,000.0
Foreign investment logo	Negative
Mode of taking liabilities	Co., Ltd

Shareholder Shareholders before the change

Type of Shareholder	Foreign company
Registration Certificate No.	1445474
Shareholder Name	British Virgin Islands Homix Limited
Country / Area	British Virgin Islands
Contribution	1,000.0
Currency	RMB
USD exchange rate	0.0000001457
USD (10,000)	145.7
RMB exchange rate	0.0000010
RMB (10,000)	1,000.0
Accumulated Contribution	1,000.0
Foreign investment logo	Negative
Mode of taking liabilities	Co., Ltd

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	8,000.0	1176.0	8,000.0

Actual Paid-in Capital of the company

After the change

Date paid-in	of Capital Source	Paid-in Amount	Contribution Mode	Exchange rate	USD	RMB
2008-07-03	overseas	1000.0	Monetary contribution	0.0000001457	145.7	1000.0
2010-06-11	overseas	7000.0	Monetary	0.000000147	1029.0	7000.0

			contribution			
--	--	--	--------------	--	--	--

Paid-up Capital of the company

After the change

Phase	Amount Agreed	Period Agreed (month)	Deadline Agreed	USD	RMB
2	1400.0	0	2010-06-27	205.8	1400.0
3	5600.0	24	2012-06-27	823.2	5600.0
1	1000.0	0	2008-07-02	145.7	1000.0

Item	Before	After
Actual Paid-in Capital	1000.0	8000.0
Foreign investor contribution in USD	145.7	1174.7
Total investment in RMB	1400.0	18500.0
Registered capital in RMB	1000.0	8000.0
Foreign contribution in RMB	1000.0	8000.0
Registered capital in USD	145.7	1174.7
Total foreign investment	1400.0	18500.0
Total foreign investment in USD	203.98	2717.68
Foreign investor contribution	1000.0	8000.0
ZIP	223814	223800

Company registration records of Jiangsu Dayang Wood Co., Ltd.江苏大阳木业有限公司

Name Approval No.	320000M013744
Registration No.	321300000010898
Former Registration No.	3213002101164
Enterprise Credit Level	A
Enterprise Name	Jiangsu Dayang Wood Co., Ltd.江苏大阳木业有限公司
Address	No. 322 Fumin Avenue, Economic Development Zone, Suqian City 宿迁经济开发区富民大道 322 号
ID of Legal Representative	H0791931000
Legal Representative	Chan Tak Yuen 陈德源
Industry	Artificial board manufacturing
Enterprise Type	Co., Ltd (wholly foreign invested)
Registration Authority	Jiangsu Suqian AIC
Authority District	Suqian AIC Suqian Economic Development Zone Branch
Registration Currency	RMB
Country of Foreign Investor	British Virgin Islands

(Unit: RMB 10,000)

Total Investment	18,500	USD	2,717.68	RMB	18,500
Registered Capital	8,000	USD	1,174.7	RMB	8,000
Foreign Paid-in Capital	8,000	USD	1,174.7	RMB	8,000

Date of Establishment	19-August-2003
Annual Inspection Date	14-June-2011
Annual Inspection Year	2010
Licensed Business Scope	None
Regular Business Scope	Timber processing and engineering technical consulting services; R&D, manufacturing and sales of artificial boards.
Period of Operation	19-August-2003 to 19-August-2058
Date of Approval	29-June-2010
USD exchange rate	0.147
RMB exchange rate	1.0
Copies	1
ZIP	223800

Phone number	84567007
Investment company	Negative

Shareholder

Shareholder name	Shareholder type	Certification type	Contribution (RMB '0,000))
British Virgin Islands Homix Limited 英属维尔京群岛恒大控股有限公司	Foreign company	Registration certificate	8,000

Company changes

2003-11-25

Item	Before	After
Registered Capital	100.0	600.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林小妹	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected

231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB
Chinese citizen	35050197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB

Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	60.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	30.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	10.0	RMB

Shareholder contribution

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Key executives Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	10.0	1,203	10.0
Monetary contribution	RMB	Negative	60.0	7,218	60.0
Monetary contribution	RMB	Negative	30.0	3,609	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	3180.0
2003-11-23	360.0
2003-11-23	50.0

Capital contribution agreed

After the change

Phase	Amount agreed
1	180.0
2	36.0
3	50.0

Change status

	Before	After
Paid in capital		3590.0
No. of employees		2
No. of investors	3	2

2003-12-12

Item	Before	After
Company name	Suqian Dayang Wood Co., Ltd. 宿迁大阳木业有限公司	Jiangsu Dayang Wood Co., Ltd. 江苏大阳木业有限公司

Key executives after the change

Card No.	Card Type	Name	Position	Mode
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General	Elected

			Manager	
--	--	--	---------	--

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB

Shareholder Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	60.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	360.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	180.0	3,609	30.0

Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	50.0
2003-11-23	3180.0
2003-11-23	360.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-11-23	3180.0
2003-11-23	360.0
2003-11-23	50.0

2004-03-05

Item	Before	After
Registered Capital	600.0	1,000.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊 雪平	China	100.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿 榴	China	600.0	RMB

Shareholder Shareholders before the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	320503610731102	Chen Hua 陈华	China	180.0	RMB
Chinese citizen	35000197502064012	Huang Qingliu 黄卿 榴	China	360.0	RMB
Chinese citizen	231027195812255057	Xiong Xueping 熊 雪平	China	60.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution	RMB	Negative	100.0	1,203	10.0
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Shareholders after the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution	RMB	Negative	180.0	3,609	30.0
Monetary contribution	RMB	Negative	360.0	7,218	60.0
Monetary contribution	RMB	Negative	50.0	1,203	10.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	300.0
2003-11-23	600.0
2003-11-23	100.0

Shareholders after the change

Date of paid-in	Paid-in capital
2003-11-23	50.0
2003-11-23	3180.0
2003-11-23	360.0

Item	Before	After
Paid-in Capital	3590.0	1000.0

2004-07-21

Key executives after the change

Card No.	Card Type	Name	Position	Mode
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected
440224195811051212	ID Card	Wang Huisheng	Director &	Elected

		汪惠生	General Manager	
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440224610610120	ID Card	Chen Liyun 陈 丽云	Supervisor	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440305196305211543	ID Card	Xiong Fangwen 熊方闻	Supervisor	Elected
231027195812255057	ID Card	Xiong Xueping 熊雪平	Director & General Manager	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
370823610603112	ID Card	Lin Xiaomei 林 小妹	Supervisor	Elected
23102719371126502X	ID Card	Liao Changlu 廖长录	Supervisor Chairman	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	44022419581105121	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	320503610731102	Chen Hua 陈 华	China	300.0	RMB
Chinese citizen	612101600127041	Huang Zhigang 黄 志刚		50.0	

Chinese citizen	35000197502064012	Huang Qingliu 黄 卿榴	China	600.0	RMB
-----------------	-------------------	--------------------------	-------	-------	-----

Shareholder Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	231027195812255057	Xiong Xueping 熊雪平	China	100.0	RMB
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	350500197502064012	Huang Qingliu 黄卿榴	China	600.0	RMB

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	100.0	1,203	10.0
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution	RMB	Negative	300.0	3,619	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-11-23	600.0
2003-08-19	50.0

2003-11-23	300.0
2003-08-19	50.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-11-23	300.0
2003-11-23	600.0
2003-11-23	100.0

2004-11-16

Item	Before	After
District Authority	Jiangsu Suqian AIC	Suqian AIC Suqian Economic Development Zone Branch
ID of Legal Representative	320503610731102	110101321130455
Legal Representative	Chen Hua 陈华	Guo Qingquan 郭庆全

Key executives after the change

Card No.	Card Type	Name	Position	Mode
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected
612101196001270411	ID Card	Huang Zhigang 黄志刚	Director & Deputy General Manager	Elected
350500820907401	ID Card	Gao Meng 高猛	Director	Elected
440224195811051212	ID Card	Wang Huisheng 汪惠生	Director & General Manager	Elected
440224610610120	ID Card	Chen Liyun 陈丽云	Supervisor	Elected
110101321130455	ID Card	Guo Qingquan 郭庆全	Chairman	Elected
510522197604206489	ID Card	Luo Guilian 罗贵连	Director	Elected
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
440301198411126419	ID Card	Wang Wei 汪玮	Supervisor	Elected

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	600.0	7,218	60.0
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	3,609	30.0

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2003-08-19	300.0

Shareholders after the change

Date of paid-in	Paid-in capital
2003-11-23	600.0
2003-08-19	50.0
2003-11-23	300.0
2003-08-19	50.0

2006-04-12

Item	Before	After
------	--------	-------

440224195811051212	ID Card	Wang Huisheng 汪惠生	Director & General Manager	Elected
350500197502064012	ID Card	Huang Qingliu 黄卿榴	Director	Elected
440224610610120	ID Card	Chen Liyun 陈 丽云	Supervisor	Elected
320503610731102	ID Card	Chen Hua 陈华	Chairman	Elected
612101630701042	ID Card	Li Qiong 李琼	Supervisor	Elected

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄 志刚		50.0	
Chinese citizen	510522197604206489	Luo Guilian 罗贵连		300.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪 惠生		50.0	
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	RMB
Chinese citizen	612101600127041	Huang Zhigang 黄 志刚		50.0	
Chinese citizen	350500197502064012	Huang Qingliu 黄卿 榴	China	600.0	RMB

Address	Economic Development Zone, Suqian City 宿迁经济开发区	No. 322 Fumin Avenue, Economic Development Zone, Suqian City 宿迁经济开发区 富民大道 322 号
Total Staff	87	5
Investors/partners	3	5
Total Employees	82	5

2008-01-28

Shareholder after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄志刚		50.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	320503610731102	Chen Hua 陈华	China	300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholder Shareholders after the change

Type of Shareholder	ID No.	Shareholder Name	Country / Area	Contribution	Currency
Chinese citizen	440224195811051212	Wang Huisheng 汪惠生		50.0	
Chinese citizen	612101196001270411	Huang Zhigang 黄志刚		50.0	
Chinese citizen	510522197604206489	Luo Guilian 罗贵连		300.0	
Chinese citizen	110101321130455	Guo Qingquan 郭庆全		300.0	
Chinese citizen	350500820907401	Gao Meng 高猛		300.0	

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution	RMB	Negative	300.0	0	300.0
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Shareholders before the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD	RMB
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	300.0		
Monetary contribution		Negative	50.0		

Paid-in Capital of the company

After the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2008-01-28	300.0

Shareholders before the change

Date of paid-in	Paid-in capital
2003-08-19	300.0
2003-08-19	300.0
2003-08-19	50.0
2003-08-19	50.0
2003-08-19	300.0

2010-06-29

Item	Before	After
ID of Legal Representative	6121016001270411	H0791931000
Legal Representative	Huang Zhigang 黄志刚	Chan Tak Yuen 陈德源
Registered Capital	1000.0	8000.0

Key executives after the change

Card No.	Card Type	Name	Position	Mode
320503196107311027	ID Card	Chen Hua 陈华	Director	Appointment
H0791931000	ID Card	Chan Tak Yuen 陈德源	Chairman	Appointment
110108197204252319	ID Card	Li Mingchen 李明臣	General Manager	Recruiting
110108195711182213	ID Card	Zhao Weimao 赵伟茂	Director	Appointment
452502197110098238	ID Card	Wu Yongzheng 吴永争	Supervisor	Appointment

Key executives Shareholders before the change

Card No.	Card Type	Name	Position	Mode
440224195811051212	ID Card	Wang Huisheng 汪惠生	Supervisor	Appointed by British Virgin Islands Homix Limited
P166226(4)	ID Card	Cheng Lin 成林	Director	Appointed by British Virgin Islands Homix Limited
6121016001270411	ID Card	Huang Zhigang 黄志刚	General Manager	Recruited
6121016001270411	ID Card	Huang Zhigang 黄志刚	Chairman	Appointed by British Virgin Islands Homix Limited
433022196601134919	ID Card	Liao Chunhe 廖春和	Director	Appointed by British Virgin Islands Homix Limited

Shareholder after the change

Type of Shareholder	Foreign company
Registration Certificate No.	1445474
Shareholder Name	British Virgin Islands Homix Limited
Country / Area	British Virgin Islands
Contribution	8,000.0
Currency	RMB
USD exchange rate	0.000000147
USD (10,000)	1176.0
RMB exchange rate	0.0000010
RMB (10,000)	8,000.0
Accumulated Contribution	8,000.0
Foreign investment logo	Negative
Mode of taking liabilities	Co., Ltd

Shareholder Shareholders before the change

Type of Shareholder	Foreign company
Registration Certificate No.	1445474
Shareholder Name	British Virgin Islands Homix Limited
Country / Area	British Virgin Islands
Contribution	1,000.0
Currency	RMB
USD exchange rate	0.0000001457
USD (10,000)	145.7
RMB exchange rate	0.0000010
RMB (10,000)	1,000.0
Accumulated Contribution	1,000.0
Foreign investment logo	Negative
Mode of taking liabilities	Co., Ltd

Shareholder contribution mode

After the change

Contribution mode	Currency	Assets Transferred	Contribution Amount	USD ('0,000)	RMB ('0,000)
Monetary contribution	RMB	Negative	8,000.0	1176.0	8,000.0

Actual Paid-in Capital of the company

After the change

Date of paid-in	Capital Source	Paid-in Amount	Contribution Mode	Exchange rate	USD	RMB
2008-07-03	overseas	1000.0	Monetary contribution	0.0000001457	145.7	1000.0
2010-06-11	overseas	7000.0	Monetary	0.000000147	1029.0	7000.0

			contribution			
--	--	--	--------------	--	--	--

Paid-up Capital of the company

After the change

Phase	Amount Agreed	Period Agreed (month)	Deadline Agreed	USD	RMB
2	1400.0	0	2010-06-27	205.8	1400.0
3	5600.0	24	2012-06-27	823.2	5600.0
1	1000.0	0	2008-07-02	145.7	1000.0


Item	Before	After
Actual Paid-in Capital	1000.0	8000.0
Foreign investor contribution in USD	145.7	1174.7
Total investment in RMB	1400.0	18500.0
Registered capital in RMB	1000.0	8000.0
Foreign contribution in RMB	1000.0	8000.0
Registered capital in USD	145.7	1174.7
Total foreign investment	1400.0	18500.0
Total foreign investment in USD	203.98	2717.68
Foreign investor contribution	1000.0	8000.0
ZIP	223814	223800

This is Exhibit "ZZ" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



【 政务 】 【 业务 】 【 互动 】 【 资讯 】

专利 商标 集成电路布图设计 实用新型专利 发明专利 外观设计 审查 异议 复审 无效 维权 其他 联系我们

专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

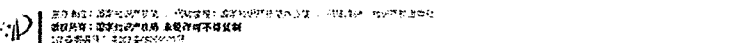
专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

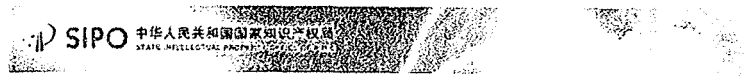
专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们

专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们



专利检索 专利分析 专利预警 专利导航 专利信息 专利保护 专利管理 专利应用 专利合作 专利教育 专利服务 联系我们



专利号: 200820146919.1

实用新型说明书 (1/3)

专利号: 200820146919.1 申请日: 2008.03.02
名称: 一种彩色设备
公开(公告)号: 2009.05.27
IPC分类号: H01R13/006(11) 分类号:
IPC分类号: H01R13/006(11); H01R13/006(11)
申请人: 江苏中研光电有限公司
地址: 225000江苏省南通市通州区五圩镇大港100号
发明人: 李树忠 李树忠 曹 伟 曹 伟
代理人: 苏州中研光电有限公司 代理人: 孙德林 曹 伟

摘要
本实用新型公开了一种彩色设备,包括彩色设备本体,所述彩色设备本体包括:一种彩色设备的设备,具有可开合的盖子,所述盖子包括:彩色设备加入及循环系统,加热系统,冷却系统,排气系统,彩色设备本体,本实用新型具有结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的,本实用新型结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的,本实用新型结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的。



专利号: 200820146919.1 申请日: 2008.03.02 公开(公告)号: 2009.05.27
IPC分类号: H01R13/006(11) 分类号: H01R13/006(11); H01R13/006(11)



专利号: 200810142046.1

发明专利说明书 (1/2)

专利号: 200810142046.1 申请日: 2008.03.02
名称: 一种彩色设备及其设备
公开(公告)号: 2009.05.27
IPC分类号: H01R13/006(11) 分类号:
IPC分类号: H01R13/006(11); H01R13/006(11)
申请人: 江苏中研光电有限公司
地址: 225000江苏省南通市通州区五圩镇大港100号
发明人: 李树忠 李树忠 曹 伟 曹 伟
代理人: 苏州中研光电有限公司 代理人: 孙德林 曹 伟

摘要
本实用新型公开了一种彩色设备及其设备,包括彩色设备本体,所述彩色设备本体包括:一种彩色设备的设备,具有可开合的盖子,所述盖子包括:彩色设备加入及循环系统,加热系统,冷却系统,排气系统,彩色设备本体,本实用新型具有结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的,本实用新型结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的,本实用新型结构简单,使用方便,安全可靠,对彩色设备内部的材料进行加热及冷却,从而达到彩色设备的加热及冷却的目的。



专利号: 200810142046.1 申请日: 2008.03.02 公开(公告)号: 2009.05.27
IPC分类号: H01R13/006(11) 分类号: H01R13/006(11); H01R13/006(11)

SIPO 中华人民共和国国家知识产权局
State Intellectual Property Office of the PRC

Patent Search

Invention Patent Utility Model Patent Design Patent

Application No.: Name:

Summary: Application Date:

Publication Date: Publication No.:

Class No.: Main Class No.:

Applicant:

Inventor/Designer:

Address: International Publication

Issuing Date: Patent Agency:

Agent: Priority:

Search Results:


1 Invention Patent and 1 Utility Model Patent:

No.	Application No.	Patent Name
1	200810142046.1	Wood dyeing method and equipment 木材染色的方法及其设备
2	200820146919.1	Wood dyeing equipment 木材染色的设备

Application No.	200820146919.1	Application Date	2008.08.22
Patent Name	Wood dyeing equipment 木材染色的设备		
Public No.	CN201244844	Publication Date	2009.05.27
Main Class No.	B27K5/02(2006.01)I	Former Application No.	
Class No.	B27K5/02(2006.01)I;B27K3/02(2006.01)I		
Issuing Date		Priority	
Applicant	Jiangsu Dayang Wood Co., Ltd 江苏大阳木业有限公司		
Address	No.322, Fumin Avenue, Economic Development Zone, Suqian City, Jiangsu Province 223800 223800 江苏省宿迁市经济开发区富民大道 322 号		
Inventor/Designer	Che Binglei 车炳雷; Huang Yanshun 黄衍顺	International Application	
International Publication		Since	
Patent Agency	Shenzhen Zhongzhi Patent and Trademark Agency Co., Ltd 深圳市中知专利商标代理有限公司	Agent	Sunhao 孙皓; Lin Hong 林虹

Application No.	200810142046.1	Application Date	2008.08.22
Patent Name	Wood dyeing method and equipment 木材染色的方法及其设备		
Public No.	CN101342716	Public Date	2009.01.14
Main Class No.	B27K5/02(2006.01)I	Former Application No.	
Class No.	B27K5/02(2006.01)I;B27K3/02(2006.01)I		
Issuing Date		Priority	
Applicant	Jiangsu Dayang Wood Co., Ltd 江苏大阳木业有限公司		
Address	No.322, Fumin Avenue, Economic Development Zone, Suqian City, Jiangsu Province 223800 223800 江苏省宿迁市经济开发区富民大道 322 号		
Inventor/Designer	Che Binglei 车炳雷; Huang Yanshun 黄衍顺	International Application	
Int'l Public		Since	
Patent Agency	Shenzhen Zhongzhi Patent and Trademark Agency Co., Ltd 深圳市中知专利商标代理有限公司	Agent	Sunhao 孙皓; Lin Hong 林虹

This is Exhibit "AAA" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

公司设立登记申请书

450

名称	番禺市大成木业有限公司		
住所	番禺市大石镇植村	邮政编码	
法定代表人	黄树顺	电话	
注册资本	人民币壹佰 (万元)	企业类型	有限
经营范围	加工、销售人造板及木材加工产品, 研究开发 木材制品及工程技术咨询服务		
营业期限	自 1998 年 6 月 日至 2018 年 6 月 日		
审批机关	批准文号		
有关部门 意见			

谨此确认, 本表所填内容不含虚假记载。

董事长签字

年 月 日

注: ①经营范围中有法律、行政法规规定必须报经审批的项目的, 国家有关部门可在“有关部门意见”栏签署意见并盖章, 国家有关部门签署意见后, 申请人可不再提交国家有关部门的批准文件。

②法律、行政法规规定设立公司必须报经审批的, 申请人应填写“审批机关”和“批准文号”栏目。

③“住所”应填写(县)、区(村)、街道名、门牌号。

④“企业类型”填“有限”或“股份”。

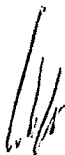
Application for Registration of Establishment

Name	Panyu Dacheng Wood Co., Ltd.		
Business Address	Zhicun, Dashi Town, Panyu City	ZIP Code	
Legal Representative	Huang Yanshun	Tel	
Registered Capital	¥ 1,000,000. (SAY CNY ONE MILLION ONLY)	Type of Business	Company Limited
Scope of Business	Processing and sales of artificial veneers and wood processed products; research and development of wood products; engineering consultative services.		
Business Term	From June 1998 to June 2018		
Approving Authority		Approval No.	
Comments by the competent departments			
<p>I hereby certify that all information provided for the application is truthful.</p> <p>Chairman of the Board (<i>signature</i>): _____ Date: _____</p>			

Note:

1. If the Scope of Business includes any item that should be submitted for approval according to relevant laws and administrative regulations of the state, the competent government department concerned shall insert comments and affix a seal in the space next to the "Comments by the competent departments". After such comments are inserted, the Applicant does not have to submit documents of approval by the competent government department concerned.
2. Establishment of a company should be submitted for approval according to relevant laws and administrative regulations of the state, and the Applicant should complete the "Approving Authority" and "Approval No." columns.
3. The "Business Address" shall include doorplate number, street name, district (or village) name, and city (or county) name.
4. The "Type of Business" shall be "Company Limited" or "Shareholding Company".

This is Exhibit "BBB" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

袁志刚	经理	廖春和	经理

董事、监事、经理/委员情况表

姓名	职务	袁长	产生方式	委派	身份证件	号码	245915711
	国别(地区)	中国(香港)	住址			类型	香港身份证
袁志刚							
姓名	职务	董事	产生方式	委派	身份证件	号码	32050319600311027
	国别(地区)	中国	住址			类型	身份证
陆华							
姓名	职务	董事	产生方式	委派	身份证件	号码	110108195711182219
	国别(地区)	中国	住址			类型	身份证
赵伟民							
姓名	职务	监事	产生方式	委派	身份证件	号码	45250207111098238
	国别(地区)	中国	住址			类型	身份证
吴永平							
姓名	职务	经理	产生方式	委派	身份证件	号码	430229660115490
	国别(地区)	中国	住址			类型	身份证
廖春和							

Name	Position	Name	Position
Huang Zhigang	Manager	Liao Chunhe	Manager

List of Directors, Supervisors, Managers/Committee Members

Name	Position	Chairman of the Board	Form of Appointment	Appointed	ID	Number	2459151 (1)
						Type	HKID
Chan Tak Yuen	Country/Region	HK, China	Address	Yau Yat Tsuen Garden, 39 Fa Po Street, Kowloon Tong, Hong Kong			
Name	Position	Director	Form of Appointment	Appointed	ID	Number	320503196107311027
						Type	ID Card
Chen Hua	Country/Region	China	Address	Suite 304, Bldg 67, Shishan New Garden, Suzhou, Jiangsu			
Name	Position	Director	Form of Appointment	Appointed	ID	Number	110108195711182213
						Type	ID Card
Zhao Weimao	Country/Region	China	Address	Suite D1003, Jinyun Tower, Jinlong Garden, Nanshan District, Shenzhen, China			
Name	Position	Supervisor	Form of Appointment	Appointed	ID	Number	452502197110098238
						Type	ID Card
Wu Yongzheng	Country/Region	China	Address	Suite 301, 28 Ziyuan Street, Baiyun District, Guangzhou			
Name	Position	Manager	Form of Appointment	Appointed	ID	Number	433022196601134919
						Type	ID Card
Liao Chunhe	Country/Region	China	Address	Liao's Family Group, Zhaojiayu Village, Huochang, Yuanling County, Hunan			

This is Exhibit "CCC" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

List of Shareholders (or Promoters) of Panyu Dacheng Wood Co., Ltd.

(B: natural person)

Name	Sex	Address	ID Card No.	Amount of Contribution (unit: CNY)	Percentage (%)
Huang Yanshun	Male	Suite B-401, Guangdabu, Nantou, Shenzhen	350403560729003	100,000.	10
Cai Yingxin	Male	No.1, Bajiaolou, Qingyang Town, Jinjiang, Fujian	350582680109303	900,000.	90

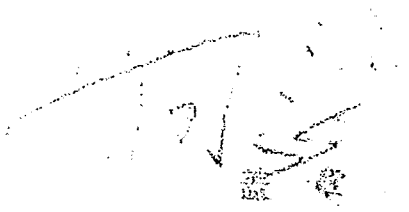
Note: If there is not enough space, you can attach extra pages.

This is Exhibit "DDD" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

企业名称: 番禺大成木业有限公司
 注册地址: 广州市番禺区大石镇
 主管部门: 
 日期: 2000年11月13日

企业名称: 广州市番禺大成木业有限公司
 注册地址: 番禺区大石镇程村
 日期: 2000年11月17日

日期: 2000年11月17日

日期: 2000年11月18日 发照人

注: 凭此表可到有关部门办理刻章手续

**Application for Modifying Business Name and Address of Companies / Self-Employed
Households in Panyu District (previously "Panyu City")**

Business Name	Panyu City Dacheng Wood Co., Ltd.	Business License	4401262000027
Former Address	Zhicun, Dashi Town, Panyu City	Person in charge	Huang Yanshun
New business name	Panyu Dacheng Wood Co., Ltd.		
New business address	Zhicun, Dashi Town, Panyu District, Guangzhou		
Comments by the competent departments (Not necessary for self-employed households)	<i>Approved</i> Seal: Date: November 13, 2000		
Comments by the Administration for Industry and Commerce	Business Name: Guangzhou Panyu Dacheng Wood Co., Ltd.		
	Business Address: Zhicun, Dashi Town, Panyu District		
	Comments by the Administrative office for Industry and Commerce	<i>Application for modification approved.</i> Seal: Panyu Office, Guangzhou Municipal Administration for Industry and Commerce Date: November 17, 2000	
	Comments by the sub-bureau of the Administration for Industry and Commerce	<i>Approved</i> Seal: Date: November 28, 2000	
Collected by: Date: December 18, 2000	Issued by: Date:		

Note: This form is a necessity to modify company seals with relevant departments.

This is Exhibit "EEE" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

公司变更登记申请书

461

注册号

项 目	原登记事项	申请变更登记事项
名称	广州市番禺区大石镇大石村	
住所	大石镇大石村	
邮政编码	511430	
法定代表人姓名	黄衍焕	
注册资本	100 (万元)	(万元)
实收资本	100 (万元)	(万元)
企业类型	有限责任公司	
经营范围	加工、销售人造板及木料 加工产品, 研究开发材料 制品及提供技术咨询等服务	
营业期限	1998.6.20-18.6	
股东(发起人)	黄衍焕 曾运洪	黄衍焕 罗贵连
其他事项		

本公司依照《中华人民共和国公司法》及《中华人民共和国公司登记管理条例》申请变更登记, 提交材料真实有效, 谨此对真实性承诺。



法定代表人签字: 黄衍焕 指定代表或委托代理人签字: 黄衍焕

黄衍焕

黄衍焕

2006年3月20日

2006年3月20日

2006年3月20日

注: 1. 申请变更登记事项只填申请变更的内容。	人: 罗贵连	1111	06.6.21
2. 提交的文件、证件应当使用A4纸。	51052219760420648F		
3. 应当使用钢笔、毛笔或签字笔工整填写。	33956325		
发照人: 曾运洪	归案人: 2000027		

Application for Registration of Modification

Item	Before modification	After modification
Name	Guangzhou Panyu Dacheng Wood Co., Ltd.	
Address	Zhicun, Dashi Town	
ZIP Code	511430	
Legal Representative	Huang Yanshun	
Registered Capital	CNY 1 million.	(unit: CNY)
Paid-in capital	CNY 1 million.	(unit: CNY)
Type of Business	Company Limited	
Scope of Business	Processing and sales of artificial veneers and wood processed products; research and development of wood products; engineering consultative services.	
Business Term	1998.6 – 2018.6	
Shareholders (promoters)	Huang Yanshun Cai Yingxin	Huang Yanshun Luo Guilian
<p>In accordance with the "Company Law of the People's Republic of China" and "Regulations of the People's Republic of China on the Administration of Company Registration", we hereby apply for registration of modification and shall be responsible for the authenticity of all information provided for the purpose of said registration.</p> <p>Signature of legal representative: Huang Yanshun Date: March 20, 2006</p> <p>Signature of Authorized Representative or Authorized Proxy: Huang Yanshun Date: March 20, 2006</p> <p>Common Seal: Guangzhou Panyu Dacheng Wood Co., Ltd. Date: March 20, 2006</p>		

- Note: 1. Please write down items proposed to be modified in the blank below the "After modification".
2. Any information or certificate submitted shall be copied with A4 paper.
3. Please complete this form with a pen, brush pen or fountain pen in a clear manner.

Collected by: Luo Guilian
Date: 2006-04-21
510522197604206489
33956325
Issued by: Xu Minling
Filed by: 2000027

This is Exhibit "FFF" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

意见:

受理日期: 2008-6-16

A

变更地址/经营范围/变更名称/变更负责人

变更事项:

变更事项: 变更地址/经营范围/变更名称/变更负责人

变更事项:

变更事项	变更前内容	变更后内容
变更地址	广州市天河区大石镇石塘咀	广州市番禺区大石镇石塘咀
变更经营范围	无	无

材料齐全,符合法定形式,拟同意变更地址、变更期限,当否,请领导

签字: 徐丽萍
日期: 2008年6月16日

同意变更经营范围,根据行政区划的调整而
在中所表述。

签字: 陈慧慧
日期: 2008.6.25

Preliminary examination:

Date of acceptance: 2008-6-16

The company hereby applies for modification of the following items:

Acceptance number: 2620080616044

Business Name: Guangzhou Panyu Dacheng Wood Co., Ltd.

Application for registration of modification

Items	Before modification	After modification
Modification of business address	Zhicun, Dashi Town, Panyu District, Guangzhou	Zhicun, Dashi Town, Panyu District, Guangzhou
Modification of business term		From 1998-07-21 to 2018-07-21

I, the undersigned hereby confirm that, the documents provided by the company for modification of business address and business term are complete and consistent with the statutory forms. The application is thus submitted for higher-level approval.

Examiner: Xu Liping

Date: June 16, 2008

Comments: I, the undersigned hereby approve said modification of business address and business term, and the business address of the company shall be adjusted according to administrative division of the city.

Approver: Chen Minru

Date: 2008-06-25

This is Exhibit "GGG" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

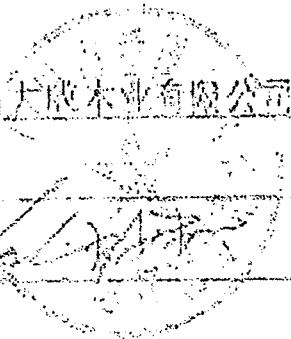


外商投资企业变更（备案）登记申请书

广州市番禺区工商行政管理局:

根据《中华人民共和国公司登记管理条例》、《中华人民共和国企业法人登记管理条例》等有关规定，现申请 企业类型、股权、法定代表人、董事、监事 等事项变更（登记），请予核准。同时承诺：所提交的文件和有关附件真实、合法、有效，复印件文本与原件一致，并对因提交虚假文件所引发的后果承担法律责任。

企业名称 广州市番禺大成木业有限公司
注册号 44012620000027
负责人签字 [Signature]



2008年11月11日

网址: www.gz.gov.cn

国家工商行政管理总局制

<http://www.saic.gov.cn>

2008年11月11日 15:00:00
1390102221

Acceptance number: _____

Date of acceptance: _____

Application for Modifications (Filing) of Registration Items of Foreign-Funded Enterprises

To the Administration for Industry & Commerce of Panyu District, Guangzhou:

In accordance with the "Regulations of the People's Republic of China on the Administration of Company Registration" and "Administrative Regulations of the People's Republic of China Governing the Registration of Legal Corporations", we hereby apply for modification (filing) of such registered items as business type, shares, legal representative, directors and supervisors. We also undertake that all documents, certificates and related appendixes submitted by us are true, legal and valid, and that the copies are identical to the originals. We will bear all legal responsibilities for any consequence resulted from submitting any false documents and certificates.

Business Name: Guangzhou Panyu Dacheng Wood Co., Ltd.

Business License: 4401262000027

Signature of person in charge: _____

Date: November 4, 2008

Website: www.gzaic.gov.cn

Printed by State Administration for Industry & Commerce
[HTTP://WZJ.SAIC.GOV.CN](http://WZJ.SAIC.GOV.CN)

This is Exhibit "HHH" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

原董事、监事、经理/委员 申请更换董事、监事、经理/委员

姓名	职务	姓名	职务
何俊	执行董事、经理	黄正刚	董事长、经理
李玲	监事	王爱军	监事
周海	通	廖春和	董事
	2008.10.23	成霖	董事

董事、监事、经理/委员情况表

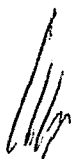
姓名	职务	国籍	产生方式	身份	号码	612101196001270411
何俊	经理	中国	委派	身份证	类型	居民身份证
国籍	地区	中国	住址	广东省深圳市南山区大村十楼1006房		
姓名	职务	国籍	产生方式	身份	号码	4330221966043419
李玲	董事	中国	委派	身份证	类型	居民身份证
国籍	地区	中国	住址	湖南省沅陵县坊场赵家岭村黎组		
姓名	职务	国籍	产生方式	身份	号码	P166226(4)
周海	董事	中国	委派	身份证	类型	香港永久居民身份证
国籍	地区	中国	住址	香港九龙红磡文咸街17号		
姓名	职务	国籍	产生方式	身份	号码	640234195811051212
成霖	董事	中国	委派	身份证	类型	居民身份证
国籍	地区	中国	住址	北京市通州区张家湾镇张家湾村189号105号房		

Formers directors, supervisors, managers and committee members		Directors, supervisors, managers and committee members proposed to be registered	
Name	Position	Name	Position
Huang Yanshun	Executive director, manager	Huang Zhigang	Chairman of the board, manager
Gao Xueling	Supervisor	Wang Huisheng	Supervisor
		Liao Chunhe	Director
		Cheng Lin	Director

List of Directors, Supervisors, Managers/Committee Members

Name	Position	Chairman of the Board Manager	Form of Appointment	Appointed	ID	Number	612101196001270411
						Type	ID card
Huang Zhigang	Country/Region	China	Address	Suite 106, Bldg 4, Guangda Village, Nanshan District, Shenzhen			
Name	Position	Director	Form of Appointment	Appointed	ID	Number	43302219660113419
						Type	ID card
Liao Chunhe	Country/Region	China	Address	Liao's Family Group, Zhaojiayu Village, Huochang, Yuanling County, Hunan			
Name	Position	Director	Form of Appointment	Appointed	ID	Number	P166326 (4)
						Type	HKID
Cheng Lin	Country/Region	HK, China	Address	17/F, The City Culture, Ko Shan Road, Hung Hom, Kowloon, Hong Kong			
Name	Position	Supervisor	Form of Appointment	Appointed	ID	Number	440224195811051212
						Type	ID Card
Wang Huisheng	Country/Region	China	Address	Harbor City, Suite 3-15B, 2189 Qianjin Road, Nanshan District, Shenzhen			

This is Exhibit "III" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

变更登记核准通知书

11

473

番禺人成木业有限公司

申请的 内容变更登记

经批准登记

登记事项如下:

变更事项	变更前内容	变更后内容
实人姓名变更	黄衍顺	黄志刚
经营范围变更	研究、开发、加工、销售：人造板、木料、木制品及工程技术咨询服务；〔经营范围涉及法律、行政法规禁止经营的不得经营；涉及许可经营的未取得许可前不得经营〕	人造板的研发、制造、销售本公司产品。供木料加工，工程技术咨询服务。（经营范围涉及法律、行政法规禁止经营的不得经营；涉及许可经营的未取得许可前不得经营）
组织形式变更	有限责任公司	有限责任公司（外国法人独资）
名称变更		HOMIX LIMITED
法定代表人变更	执行董事、经理：黄衍顺；监事：高雪玲	董事长、经理：黄志刚； 董事：成林、廖春和；监事：汪惠生
注册号变更	4401262000027	企独粤穗总字第304265号
股东变更	黄衍顺；罗贵连	

变更前情况

名称	出资额	出资比例(%)	国别地区
黄衍顺	10	10	中国
罗贵连	90	90	中国

变更后情况

名称	出资额	出资比例(%)	国别地区
HOMIX LIMITED	100	100	英国维尔京群岛

广州市工商行政管理局番禺分局

二〇〇八年十一月十一日

Notice of Approval of Modification Registration

To Guangzhou Panyu Dacheng Wood Co., Ltd.:

Your application for becoming a foreign-funded enterprise has been approved and registered by Panyu Office.

Guangzhou Municipal Administration of Industry and Commerce.

Registration of modification:

Items	Before modification	After modification
Modification of legal representative	Huang Yanshun	Huang Zhigang
Change of business scope	Research, development, processing and sales of artificial veneers, wood and wood products; engineering consultative services. [The Company shall not engage in any business activity prohibited by laws and administrative regulations. Where an administrative license is required for a business activity, the Company shall not engage in said business activity before acquiring such administrative license.]	Research, development, manufacture and sales of the company's artificial veneers; wood processing and engineering consultative services. [The Company shall not engage in any business activity prohibited by laws and administrative regulations. Where an administrative license is required for a business activity, the Company shall not engage in said business activity before acquiring such
Change of type of business	Company Limited	A solely foreign-funded enterprise
Change of shareholders		HOMIX LIMITED
Change of directors	Executive director, manager: Huang Yanshun; Supervisor: Gao Xueling	Chairman of the board, manager: Huang Zhigang Directors: Cheng Lin, Liao Chunhe; Supervisor: Wang Huisheng
Change of registration number	4401262000027	QDYSZZ No. 304265
Change of shareholders	Huang Yanshun; Luo Guilian	

Before change of shareholders

Name	Amount of Contribution (unit: CNY)	Percentage (%)	Country/Region
Huang Yanshun	100,000.	10	China
Luo Guilian	900,000.	90	China

After change of shareholders

Name	Amount of Contribution (unit: CNY)	Percentage (%)	Country/Region
HOMIX LIMITED	1,000,000.	100	British Virgin Islands

Panyu Office, Guangzhou Municipal Administration of Industry and Commerce

Date: November 11, 2008

This is Exhibit "JJJ" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

变更登记核准通知书

A

476

木业有限公司:

的:

理及联合管理委员会委员

准登记。

	变更前内容	变更后内容
联合管理委	凌林、黄志刚、廖春和、汪惠生	陈炳华、黄志刚、廖春和、钱江
	金融粤穗总字第304255号	440126430100999

广州市工商行政管理局番禺分局

二〇〇九年七月三十日

Notice of Approval of Modification Registration

To Guangzhou Panyu Dacheng Wood Co., Ltd.:

Your application for registration of directors, supervisors, managers and members of joint management committee has been approved and registered by the Bureau.

Registration of modification:

Items	Before modification	After modification
Directors, supervisors, managers and members of joint management committee	Cheng Lin, Huang Zhigang, Liao Chunhe, Wang Huisheng	Chen Binghua, Huang Zhigang, Liao Chunhe, Qian Kaipeng
Business License	QDYSZZ No. 304265	440126400000999

Panyu Office, Guangzhou Municipal Administration of Industry and Commerce

Date: July 30, 2009

This is Exhibit "KKK" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

2010.5.11

受理号：
受理日期：

A

外商投资企业变更（备案）登记 申请书

王丹 署为

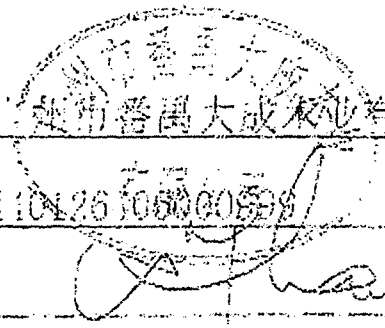
国家工商行政管理（总）局：

根据《中华人民共和国公司登记管理条例》、《中华人民共和国企业法人登记管理条例》等有关规定，现申请 董事、监事、章程修正、股东（发起人）FOMIX LIMITED的授权代表、法定代表人 等事项变更（备案）登记，请予核准。同时承诺：所提交的文件和有关附件真实、合法，有效，复印文本与原件一致，并对因提交虚假文件所引发的后果承担法律责任。

企业名称 广州市番禺大成农业有限公司

注册号 440126106000898

法定代表人签字 [Signature]



2010年6月20日

国家工商行政管理总局

[HTTP://WZJ.SAIC.GOV.CN](http://wzj.saic.gov.cn)

Acceptance number: _____

Date of acceptance: _____

Chen Binghua

Date: 2010-05-11

**Application for Modifications (Filing) of Registration Items of
Foreign-Funded Enterprises**

To the Administration for Industry & Commerce of Panyu District, Guangzhou:

In accordance with the "Regulations of the People's Republic of China on the Administration of Company Registration" and "Administrative Regulations of the People's Republic of China Governing the Registration of Legal Corporations", we hereby apply for modification (filing) of such registered items as directors, supervisors, change of Articles of Association, authorized representative and shareholder (founder) HOMIX LIMITED, legal representative, etc. We also undertake that all documents, certificates and related appendixes submitted by us are true, legal and valid, and that the copies are identical to the originals. We will bear all legal responsibilities for any consequence resulted from submitting any false documents and certificates.

Business Name: Guangzhou Panyu Dacheng Wood Co., Ltd.

Business License: 440126400000999

Signature of legal representative: _____

Date: Thursday, April 29, 2010

Printed by State Administration for Industry & Commerce
[HTTP://WZJ.SAIC.GOV.CN](http://WZJ.SAIC.GOV.CN)

This is Exhibit "LLL" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

姓名	职务	姓名	职务
黄晋林	董事长	李德源	监事长
廖林兴、姚敬华	董事	廖林、赵伟强	监事
张开等	监事	李永金	监事

董事、监事、经理/联合管理委员会委员情况表

姓名	职务	产生方式	委派	身份证	号码	711517953233
李德源	监事长	香港	住址		类型	身份证
姓名	职务	产生方式	委派	身份证	号码	320503196107311527
李永金	监事	江苏	苏州市虎丘区狮山新苑87幢304室		类型	身份证
姓名	职务	产生方式	委派	身份证	号码	110108195711182213
赵伟强	监事	广东	深圳市南山区麒麟花园锦云阁D-1015		类型	身份证
姓名	职务	产生方式	委派	身份证	号码	452502197110098238
吴永华	董事	广西	南宁市白云路紫园街28号301房		类型	身份证
姓名	职务	产生方式		身份证	号码	
				类型		

This is Exhibit "MMM" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

任、免职书

经公司决定，免去黄志刚担任的董事长兼法定代表人职务，同时委派 陈德源 先生担任公司的新董事长兼法定代表人，任期三年。

免去廖春和、陈炳华担任的董事职务，同时委派陈华女士、赵伟茂先生担任公司的新董事，任期三年。

兹确认新的董事会成员为：陈德源董事长，陈华、赵伟茂董事。

以上人员没有《中华人民共和国公司法》规定的不得担任董事的情形。



投资公司（盖章）：NOMIX LIMITED

授权代表（签字）：_____

陈德源

2017年4月29日

**Guangzhou Panyu Dacheng Wood Co., Ltd.
Letter of Dismissal and Appointment**

We hereby decide to remove Huang Zhigang from the post of chairman of the board and legal representative of the company and appoint Chan Tak Yuen as the new chairman of the board and legal representative for a period of three years.

We hereby decides to remove Liao Chunhe and Chen Binghua from the post of directors, and appoint Chen Hua and Zhao Weimao as new directors of the company for a period of three years.

This is to confirm that the new directors of the company are: Chan Tak Yuen (Chairman of the Board), Chen Hua (director), and Zhao Weimao (director).

This is to certify that, the new directors above are free from any circumstances under which a person may not hold the position of director in accordance with the "Company Law of the People's Republic of China".

Investment Company: HOMIX LIMITED [seal]

Authorized Representative: Chan Tak Yuen

[signature] Date: April 29, 2010

This is Exhibit "NNN" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

广州市番禺大成木业有限公司:

你公司申请的:

法定代表人变更; 董事、监事、经理及联合管理委员会: 章程修正案备案

业务已经我局批准登记。

变更登记事项如下:

变更事项	变更前内容	变更后内容
法定代表人变更	黄志刚	陈德源
董事、监事、经理及联合管理委员会	陈炳华、黄志刚、廖春烈、钱开鹏	陈德源、陈华、吴永争、赵伟茂

广州市工商行政管理局番禺分局

二〇一〇年五月二十四日

Notice of Approval of Modification Registration

To Guangzhou Panyu Dacheng Wood Co., Ltd.:

Your application for modification of legal representative, directors, supervisors, managers, members of joint management committee and Articles of Association has been approved and registered by the Bureau.


Registration of modification:

Items	Before modification	After modification
Modification of legal representative	Huang Zhigang	Chan Tak Yuen
Directors, supervisors, managers and members of joint management committee	Chen Binghua, Huang Zhigang, Liao Chunhe, Qian Kaipeng	Chan Tak Yuen, Chen Hua, Wu Yongzheng, Zhao Weimao

Panyu Office, Guangzhou Municipal Administration of Industry and Commerce

Date: May 24, 2010

This is Exhibit "OOO" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

方

受理日期:

2010年9月29日

经查, 该企业申请变更(备案)登记, 登记内容如下:

受理号: 26201009250045

企业名称: 广州市番禺大成木业有限公司

变更(备案)登记事项如下

变更事项	变更前内容	变更后内容
董事、监事、经理及联合管理委员会	陈德源、陈华、吴永华、赵伟茂	陈德源、陈华、廖春和、吴永华、赵伟茂

核准通过

审核意见

签名:

陈德源

日期:

2010年9月29日

Examination and Approval of Application for Registration of Modification

Date of acceptance: September 25, 2010

492

It is found that, the company applies for registration of the following changes.

Acceptance number: 26201009250045

Business Name: Guangzhou Panyu Dacheng Wood Co., Ltd.

Registration of modification

Items	Before modification	After modification
Directors, supervisors, managers and members of joint management committee	Chan Tak Yuen, Chen Hua, Wu Yongzheng, Zhao Weimao	Chan Tak Yuen, Chen Hua, Liao Chunhe, Wu Yongzheng, Zhao Weimao

Comments of review	Modification approved
--------------------	-----------------------

Approved by: Xiao Meigao [signature]

Date: September 29, 2010

This is Exhibit "PPP" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



HCA 5439/1998

IN THE HIGH COURT OF ACCOUNTS OFFICE HIGH COURT
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

COURT OF FIRST INSTANCE 1) TB .00
FC2 1045.00
CHEQUE 1045.00
-4APR 198800080274 11:47R

HUA DAO SHIPPING (FAR EAST) LIMITED 1st Plaintiff
BM SHIPPING GROUP SRL. 2nd Plaintiff
and
SINO-WOOD PARTNERS LIMITED Defendant

To the Defendant, SINO-WOOD PARTNERS LIMITED whose registered office is situated at Room 1409 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

THIS WRIT OF SUMMONS has been issued against you by the above-named Plaintiff in respect of the claim set out on the back.

Within 14 days after the service of the Writ on you, counting the day of service, you must either satisfy the claim or return to the Registry of the High Court the accompanying **ACKNOWLEDGMENT OF SERVICE** stating therein whether you intend to contest these proceedings.

If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

Issued from the Registry of High Court this 4th day of April 1998



Note:- This Writ may not be served later than 12 calendar months beginning with that date unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.



Exhibit "QQQ" mentioned and referred to in the Affidavit of
Gowan Chandler, sworn before me in the Hong Kong Special
Administrative Region of the People's Republic of China this 29th day
of February 2012.

A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

存案 Filed



公司註冊處
Companies Registry

秘書及董事資料更改通知書 Notification of Change of Particulars of Secretary and Director

(公司條例第 158(4)條)
(Companies Ordinance s. 158(4))

表格 Form **D2B**

重要事項 Important Notes

- 填表前請參閱〈填表須知〉，請用黑色墨水列印。
- Please read the accompanying notes before completing this form. Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 個人秘書／董事資料更改 Change of Particulars of Individual Secretary／Director

(如涉及超過一名個人秘書／董事，請用續頁 A 填報 Use Continuation Sheet A if more than 1 individual secretary/director is involved)

A. 更改資料的個人秘書／董事

Identity of the Individual Secretary／Director whose Particulars have Changed

請填報現時在公司註冊處登記的有關資料

Please state the relevant particulars currently registered with the Companies Registry

請在有關空格內加 / 號 Please tick the relevant box(es)

(註 Note 6)

身份 Capacity
 秘書 Secretary
 董事 Director
 候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名
Name in Chinese

黃然

英文姓名
Name in English

HUANG

Ran

姓氏 Surname

名字 Other Names

(註 Note 7)

身份證明
Identification

G04957151

N/A

香港身份證號碼 HK Identity Card Number

海外護照號碼 Overseas Passport Number

(註 Note 4)

提交人的資料 Presentor's Reference

請勿填寫本欄 For Official Use

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823

傳真 Fax: 2851 1826

電郵地址 E-mail Address:

編號 Reference:

附刊編號 1/2004 (2004年2月)
Specification No. 1/2004 (Feb. 2004)



22500114764

02B
14/07/2006

0435844



表格 Form **D2B**

公司編號 Company Number

435844

2 個人秘書/董事資料更改 (續上頁)
Change of Particulars of Individual Secretary/Director (cont'd)

(註 Note 8) B. 更改詳情 Details of Change(s)

請只填寫有更改的項目 Please complete item(s) with change(s) only

生效日期 Effective Date

(a) 中文姓名 Name in Chinese

--	--	--

日 DD 月 MM 年 YYYY

(b) 英文姓名 Name in English

--	--

姓氏 Surname

名字 Other Names

--	--	--

日 DD 月 MM 年 YYYY

(註 Note 9)

(c) 別名 Alias

--	--	--

日 DD 月 MM 年 YYYY

(註 Note 10)

(d) 住址 Residential Address

Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	People's Republic of China
--------------------------------------------------------------------------------------------------------	----------------------------

國家 Country

26	06	2006
----	----	------

日 DD 月 MM 年 YYYY

(註 Note 11)

(e) 電郵地址 E-mail Address

--	--	--

日 DD 月 MM 年 YYYY

(f) 香港身份證號碼
Hong Kong Identity Card Number

--	--	--

日 DD 月 MM 年 YYYY

(g) 海外護照 Overseas Passport

People's Republic of China	G04957151
----------------------------	-----------

發證國家 Issuing Country

號碼 Number

26	06	2006
----	----	------

日 DD 月 MM 年 YYYY

表格 Form **D2B**

公司編號 Company Number

435844

3 法人團體秘書/董事資料更改 Change of Particulars of Corporate Secretary/Director

(如涉及超過一名法人團體秘書/董事，請用續頁 B 填報)
(Use Continuation Sheet B if more than 1 corporate secretary/director is involved)

A. 更改資料的法人團體秘書/董事 Identity of the Corporate Secretary/Director whose Particulars have Changed

請填報現時在公司註冊處登記的有關資料
Please state the relevant particulars currently registered with the Companies Registry

請在有關空格內加 號 Please tick the relevant box(es)

(註 Note 6) 身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代辦 Alternate to

(註 Note 12) 中文名稱 Name in Chinese

(註 Note 12) 英文名稱 Name in English

公司編號 Company Number (只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

(註 Note 8) B. 更改詳情 Details of Change(s)

請只填報有更改的項目 Please complete item(s) with change(s) only

生效日期 Effective Date

(a) 中文及英文名稱 Name in Chinese and English

[Empty box for Name in Chinese and English]

日 DD 月 MM 年 YYYY

(註 Note 13) (d) 地址 Address

[Empty box for Address]

國家 Country

日 DD 月 MM 年 YYYY

(註 Note 11) (c) 電郵地址 E-mail Address

[Empty box for E-mail Address]

日 DD 月 MM 年 YYYY

本通知書包括 _____ 張續頁 A 及 _____ 張續頁 B。

This Notification Includes 1 Continuation Sheet(s) A and (Nil) Continuation Sheet(s) B.

簽署 Signed :

姓名 Name : HUANG, Ran
董事 Director / 秘書 Secretary

日期 Date : 26 / 06 / 2006

日 DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply

表格 Form **D2B**

(續頁 A Continuation Sheet A)

公司編號 Company Number

435844

個人秘書/董事資料更改詳情 (第 2 項)

Details of Change of Particulars of Individual Secretary/Director (Section 2)

A. 更改資料的個人秘書/董事

Identity of the Individual Secretary/Director whose Particulars have Changed

請填報現時在公司註冊處登記的有關資料

Please state the relevant particulars currently registered with the Companies Registry

請在有關空格內加 號 Please tick the relevant box(es)

(註 Note 5)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

詹曉坤

英文姓名 Name in English

ZHAN

Xiao Kun

姓氏 Surname

名字 Other Names

(註 Note 7)

身份證明 Identification

G11565227

N/A

香港身份證號碼 HK Identity Card Number

海外護照號碼 Overseas Passport Number

(註 Note 8) **B. 更改詳情 Details of Change(s)**

請只填報有更改的項目 Please complete item(s) with change(s) only

生效日期 Effective Date

(a) 中文姓名 Name in Chinese

[Empty box for Chinese Name]

[Empty date box]

日 DD 月 MM 年 YYYY

(b) 英文姓名 Name in English

[Empty box for English Name]

[Empty date box]

日 DD 月 MM 年 YYYY

姓氏 Surname

名字 Other Names

(註 Note 9)

(c) 別名 Alias

[Empty box for Alias]

[Empty date box]

日 DD 月 MM 年 YYYY

(註 Note 10)

(d) 住址 Residential Address

No. 88 Fu Ning Nong, Jia Ding Town, Jia Ding District, Shanghai, China

People's Republic of China
國家 Country

26 06 2006

日 DD 月 MM 年 YYYY

(註 Note 11)

(e) 電郵地址 E-mail Address

[Empty box for E-mail Address]

[Empty date box]

日 DD 月 MM 年 YYYY

(f) 香港身份證號碼 Hong Kong Identity Card Number

[Empty box for HK Identity Card Number]

[Empty date box]

日 DD 月 MM 年 YYYY

(g) 海外護照 Overseas Passport

People's Republic of China

G11565227

26 06 2006

日 DD 月 MM 年 YYYY

簽發國家 Issuing Country

號碼 Number

存案 Filed

公司註冊處
Companies Registry周年申報表
Annual Return
(公司條例第 107(1)條)
(Companies Ordinance s. 107(1))表格
Form AR1

重要事項 Important Notes

- 填表前請參閱〈填表須知〉。
請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

(註 Note 8)

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在有關空格內加 ✓ 號 Please tick the relevant box

- 有股本的私人公司
Private Company having a share capital
- 其他
Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this Return is made up to

15	07	2006
日 DD	月 MM	年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this Return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.)

(註 Note 9)

5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10)

6 電郵地址 E-mail Address

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference: JC/2481/05

指明編號 2/2004 (修訂) (2004年2月)
Specification No. 2/2004 (Revision) (Feb. 2004)

請勿填寫本欄 For Official Use

22100128770
AR1L 0435844
31/07/2006

表格
Form **AR1**

公司編號 Company Number

435844

7 按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據《公司條例》第 80 及第 82 條規定向公司註冊處處長登記的按揭及押記的未償還總額

Total Amount outstanding as of the Date of this Return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(註 Note 11) **8 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital**
(有股本的公司毋須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目
Number of member(s) as at the Date of this Return

(Nil)

(註 Note 12) **9 股本 Share Capital**
(無股本的公司毋須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital	已發行股本 Issued Share Capital			
	總面值 Total Nominal Value †	已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares Issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元、美元)
Please specify the currency (e.g. HKD, USD)

第二頁 Page 2

表格 Form **AR1**

公司編號 Company Number

435844

10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
 (如未經盡錄於下列表格內，請用續頁A填報 Use Continuation Sheet A if there is insufficient space)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares **Ordinary**

如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併填報；股份受讓人的姓名／名稱請在「備註」一欄註明。
 If there have been any transfers of the company's shares since the date of the last Annual Return (or since incorporation if this is the first Annual Return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

姓名／名稱 Name	地址 Address	股份 Shares		備註 Remarks	
		現時持有量 Current Holding	轉讓 Transferred		
			數目 Number		日期 Date
詹曉坤 ZHAN, Xiao Kun	No. 88 Fu Ning Nong, Jia Ding Town, Jia Ding District, Shanghai, China	5,000			
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	5,000			
總數 Total		10,000			

表格
Form

AR1

公司編號 Company Number

435844

11 秘書 Secretary

A. 個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名
Name in Chinese英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names別名
Alias

(註 Note 14)

香港住址
Hong Kong
Residential
Address

(註 Note 15)

電郵地址
E-mail Address

(註 Note 16)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Numberb 海外護照
Overseas Passport

簽發國家 Issuing Country

號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17)

中文名稱
Name in Chinese 美信秘書服務有限公司

(註 Note 17)

英文名稱
Name in English Panoccan Secretarial Services Limited

(註 Note 18)

香港地址
Hong Kong
Address Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C.,
Hong Kong

(註 Note 15)

電郵地址
E-mail Address (Nil)

公司編號 Company Number

(只適用於在香港註冊的法人團體)

(Only applicable to body corporate registered in Hong Kong)

227964

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Director

A. 個人董事 Individual Director

(如超過兩名個人董事，請用續頁 C 填報 Use Continuation Sheet C if more than 2 individual directors)

(註 Note 19)

1 身份

Capacity



董事

Director



候補董事

Alternate Director

代替 Alternate to

N/A

中文姓名
Name in Chinese

黃然

英文姓名
Name in English

HUANG

Ran

姓氏 Surname

名字 Other Names

前用姓名
Previous Names

(Nil)

別名
Alias

(Nil)

(註 Note 20)

住址
Residential
AddressRoom 501, Unit 4, Block 4, 23 Cha Dao Kou
West Road, Xi Hu District, Nanchang, Jiangxi
Province, ChinaPeople's Republic of
China

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

N/A

b 海外護照
Overseas Passport

People's Republic of China

G04957151

簽發國家 Issuing Country

號碼 Number

表格 (Form) **AR1**

公司編號 Company Number

435844

12 董事 Director (續上頁 cont'd)

2 身份 Capacity

董事 Director

候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

詹曉坤

英文姓名 Name in English

ZHAN

Xiao Kun

姓氏 Surname

名字 Other Names

前用姓名 Previous Names

(Nil)

別名 Alias

(Nil)

(註 Note 20)

住址 Residential Address

No. 88 Fu Ning Nong, Jia Ding Town, Jia Ding District, Shanghai, China

People's Republic of China

國家 Country

(註 Note 21)

電郵地址 E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

N/A

b 海外護照 Overseas Passport

People's Republic of China

G11565227

簽發國家 Issuing Country

號碼 Number

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Director (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁 D 填報 Use Continuation Sheet D if more than 2 corporate directors)

(註 Note 19)

1 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

(註 Note 19)

2 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Director (續上頁 cont'd)

C. 備任董事 Reserve Director

(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名
Name in Chinese

英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names

別名
Alias

(註 Note 20)

住址
Residential
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

b 海外護照
Overseas Passport

簽發國家 Issuing Country

號碼 Number

表格
Form

AR1

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)
Address where the following registers of the company are kept (if not kept at the Registered Office in Section 5)

登記冊 Register	地址 Address
a 成員登記冊 Register of Members	N/A
b 債權證持有人登記冊 (如有的話) Register of Debenture Holders (if any)	N/A

(註 Note 24) 14 隨表提交的帳目所涵蓋的會計結算始末日期
Period Covered by Accounts Submitted with this Form
(私人公司毋須填報此項 A private company need not complete this section)

日 DD	月 MM	年 YYYY	至 To	日 DD	月 MM	年 YYYY
------	------	--------	------	------	------	--------

15 證明書 Certificate

(此項證明只適用於私人公司。如不適用，請刪去此項。)
(This Certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。
I certify that the company has not, since the date of the last Annual Return (or since incorporation if this is the first Annual Return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the Date of this Return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

本申報表包括 _____ 張續頁 A，_____ 張續頁 B，_____ 張續頁 C 及 _____ 張續頁 D。
This Return includes _____ (Nil) Continuation Sheet(s) A, _____ (Nil) Continuation Sheet(s) B, _____ (Nil) Continuation Sheet(s) C and _____ (Nil) Continuation Sheet(s) D.

簽署 Signed :

姓名 Name : HUANG, Ran
董事 Director / 秘書 Secretary *

日期 Date : 15 / 07 / 2006
日 DD / 月 MM / 年 YYYY

* 請刪去不適用者 Delete whichever does not apply



公司註冊處
Companies Registry

秘書及董事更改通知書(委任/離任)
Notification of Change of Secretary and Director
(Appointment/Cessation)

(公司條例第 158(4) 及 (4A) 條)
(Companies Ordinance s. 158(4) & (4A))

存案 Filed

表格 Form D2A

重要事項 Important Notes

- 填表前請參閱(填表須知)。
- 請用黑色墨水列印
- Please read the accompanying notes before completing this form.
- Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 更改詳情 Details of Change

A. 離任秘書/董事的資料 Particulars of Secretary/Director Ceasing to Act

(如涉及超過一名秘書/董事, 請用續頁 A 填報 Use Continuation Sheet A if more than 1 secretary/director is involved).

請在有關空格內加 / 號 Please tick the relevant box(es)

(註 Note 7)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

N/A

個人秘書/董事的姓名 Name of Individual Secretary/Director

詹曉坤	ZHAN	Xiao Kun
中文姓名 Name in Chinese	英文姓氏 Surname in English	英文名字 Other Names in English

(註 Note 8)

身份證明
Identification

(Nil)

G11565227

香港身份證號碼 HK Identity Card Number

海外護照號碼 Overseas Passport Number

或 OR

(註 Note 9)

法人團體秘書/董事的中文及英文名稱
Chinese and English Names of Corporate Secretary/Director

--

離任原因
Reason for Cessation

辭職/其他
Resignation/Others

去世
Deceased

(註 Note 10)

離任日期
Date of Cessation

02

02

2007

日 DD

月 MM

年 YYYY

(註 Note 11)

請述明上述離任董事/候補董事在離任日期後, 是否繼續擔任公司的
候補董事/董事職位
Please indicate whether the Director/Alternate Director ceasing to act will
continue to hold office as Alternate Director/Director in the Company after
the date of cessation

是 Yes

否 No

(註 Note 5)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

指明編號 1/2004 (2004 年 2 月)
Specification No. 1/2004 (Feb. 2004)

請勿填寫本欄 For Official Use

收件日期 RECEIVED

02-02-2007



22300176775

D2A

02/02/2007

0435844

表格 Form **D2A**

公司編號 Company Number

435844

2 更改詳情 Details of Change (續上頁 cont'd)

B. 獲委任的個人秘書/董事的資料 Particulars of Individual Secretary/Director Appointed
 (如委任超過一名個人秘書/董事，請用續頁B填報)
 (Use Continuation Sheet B if more than 1 individual secretary/director is appointed)

請在有關空格內加✓號 Please tick the relevant box(es)

(註 Note 12)

身份 Capacity	<input type="checkbox"/> 秘書 Secretary	<input checked="" type="checkbox"/> 董事 Director	<input type="checkbox"/> 候補董事 Alternate Director	代替 Alternate to
				N/A

中文姓名 Name in Chinese: 陳軍

英文姓名 Name in English: CHEN, Jun
 姓氏 Surname: CHEN, 名字 Other Names: Jun

前用姓名 Previous Names: (Nil)

別名 Alias: (Nil)

(註 Note 13)

住址 Residential Address: Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China
 國家 Country: China

(註 Note 14)

電郵地址 E-mail Address: (Nil)

(註 Note 15)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number: N/A

中華人民共和國居民身份證號碼 310222196702070417

b 海外護照 Overseas Passport: N/A (Issuing Country), N/A (Number)

委任日期 Date of Appointment: 02 / 02 / 2007
 日 DD 月 MM 年 YYYY

(註 Note 16)

請述明董事/候補董事在獲得上述委任時，是否公司現任的候補董事/董事
 Please indicate whether the Director/Alternate Director whose appointment is reported above is already an existing Alternate Director/Director in the Company at the time of the above appointment

是 Yes
 否 No

表格 FORM D2A

公司編號 Company Number

435844

2 更改詳情 Details of Change (續上頁 cont'd)

G. 獲委任的法人團體秘書/董事的資料 Particulars of Corporate Secretary/Director Appointed

(如委任超過一名法人團體秘書/董事，請用續頁 C 填報)
(Use Continuation Sheet C if more than 1 corporate secretary/director is appointed)

請在有關空格內加 ✓ 號 Please tick the relevant box(es)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

(註 Note 19) 中文名稱 Name in Chinese

[Blank box for Name in Chinese]

(註 Note 19) 英文名稱 Name in English

[Blank box for Name in English]

(註 Note 20) 地址 Address

[Blank box for Address]

國家 Country

(註 Note 21) 電郵地址 E-mail Address

[Blank box for E-mail Address]

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

[Blank box for Company Number]

委任日期 Date of Appointment

[Date selection boxes: 日 DD, 月 MM, 年 YYYY]

日 DD 月 MM 年 YYYY

(註 Note 22) 請述明董事/候補董事在獲得上述委任時，是否公司現任的候補董事/董事
Please indicate whether the Director/Alternate Director whose appointment is reported above is already an existing Alternate Director/Director in the Company at the time of the above appointment 是 Yes 否 No

本通知書包括 _____ 張續頁 A、_____ 張續頁 B 及 _____ 張續頁 C。
This Notification includes _____ (Nil) Continuation Sheet(s) A, _____ (Nil) Continuation Sheet(s) B and _____ (Nil) Continuation Sheet(s) C.

簽署 Signed : 
姓名 Name : HUANG, Ran
董事 Director/秘書 Secretary *

日期 Date : 02 / 02 / 2007
日 DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply
附明編號 1/2004 (2004 年 2 月)
Specification No. 1/2004 (Feb. 2004)



公司註冊處
Companies Registry

出任董事或候補董事職位同意書

Consent to Act as
Director or Alternate Director

(公司條例第 158(5)條)
(Companies Ordinance s. 158(5))

表格
Form D3

重要事項 Important Note

- 請用黑色墨水列印。
Please print in black ink.

公司編號 Company Number

435844

公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

本人
I,

CHEN, Jun 陳軍

(請填報姓名 Please state full name)

同意出任上述公司的
consent to act as the above company's

請在有關空格內加 ✓ 號 Please tick the relevant box(es)

董事
Director

候補董事
Alternate Director

代替 Alternate to

(請填報擬代替行事的董事姓名或名稱 Please state full name of the principal director)

生效日期為
with effect from

02 02 2007
日 DD 月 MM 年 YYYY

，並確認本人已年滿十八歲。
, and confirm that I have attained the age of 18 years.

簽署 Signed :

陳軍

日期 Date :

02 / 02 / 2007

日 DD / 月 MM / 年 YYYY

提交人的資料 Presentor's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

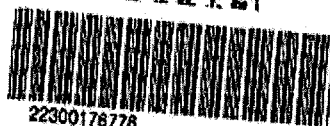
編號 Reference:

招明編號 2/2004 (修訂) (2004年2月)
Specification No. 2/2004 (Revision) (Feb. 2004)

請勿填寫本欄 For Official Use

收件日期 RECEIVED

02 -02- 2007



22300176778
D3
02/02/2007

0435844

存案 Filed



公司註冊處
Companies Registry

秘書及董事辭職通知書
Notification of Resignation of
Secretary and Director

(公司條例第 157D(2)條但書)
(Companies Ordinance s. 157D(2) Proviso)

表格
Form D4

重要事項 Important Notes

- 填表前請參閱(填表須知)。
請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 辭職秘書/董事的資料 Particulars of the Resigning Secretary/Director

請在有關空格內加/號 Please tick the relevant box(es)

(註 Note 5)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

N/A

個人秘書/董事的姓名 Name of Individual Secretary/Director

詹曉坤

ZHAN

Xiao Kun

中文姓名 Name in Chinese

英文姓氏 Surname in English

英文名字 Other Names in English

(註 Note 6)

身份證明
Identification

(Nil)

G11565227

香港身份證號碼 HK Identity Card Number

海外護照號碼 Overseas Passport Number

或 OR

(註 Note 7)

法人團體秘書/董事的中文及英文名稱
Chinese and English Names of Corporate Secretary/Director

辭職日期
Date of Resignation

02

02

2007

日 DD

月 MM

年 YYYY

(註 Note 8)

請說明上述離任董事/候補董事在離任日期後,是否繼續擔任公司的
候補董事/董事職位
Please indicate whether the Director/Alternate Director ceasing to act will
continue to hold office as Alternate Director/Director in the Company after
the date of cessation

是 Yes

否 No

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

指明編號 2/2004 (修訂) (2004年2月)
Specification No. 2/2004 (Revision) (Feb. 2004)

請勿填寫本欄 For Official Use

收件日期 RECEIVED

02-02-2007



22300176774
D4
02/02/2007

0435844

0112

表格
Form

D4

公司編號 Company Number

435844

3 辭職通知 Notice of Resignation

請在有關空格內加 / 號 Please tick the relevant box

- 按照上述公司的章程細則或本人與該公司訂立的協議的規定，本人須向該公司發出辭職通知；本人亦已按照有關的規定發出該辭職通知。
I am required by the articles of the above-named Company or by an agreement made with the Company to give notice of resignation to the Company and I have given such notice of resignation in accordance with the relevant requirement.
- 按照上述公司的章程細則或本人與該公司訂立的協議的規定，本人須向該公司發出辭職通知。本人並未按照有關規定發出通知，但已藉郵遞方式將辭職通知書送交公司的註冊辦事處，或將該通知書留交該辦事處。
I am required by the articles of the above-named Company or by an agreement made with the Company to give notice of resignation to the Company. I have not given the notice of resignation in accordance with the requirement but have sent the notice of resignation by post to, or by leaving it at, the registered office of the Company.
- 按照上述公司的章程細則或本人與該公司訂立的任何協議，本人不須向該公司發出辭職通知。
I am not required by the articles of the above-named Company or by any agreement made with the Company to give notice of resignation to the Company.

簽署 Signed :



 姓名 Name : ZHAN, Xiao Kun
 辭職的秘書/董事
 Resigning Secretary/Director *

 日期 Date : 02 / 02 / 2007
 日 DD / 月 MM / 年 YYYY

* 請刪去不適用者 Delete whichever does not apply

第二頁 Page 2

存案 Filed



周年申報表
Annual Return
(公司條例第 107(1)條)
(Companies Ordinance s. 107(1))

表格 Form AR1

重要事項 Important Notes

- 填表前請參閱《填表須知》。
● Please read the accompanying notes before completing this form.
● 請用黑色墨水列印。
● Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

(註 Note 8)

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在有關空格內加 ✓ 號 Please tick the relevant box

- 有股本的私人公司 Private Company having a share capital
- 其他 Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this Return is made up to

15	07	2007
日 DD	月 MM	年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this Return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.

(註 Note 9)

5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10)

6 電郵地址 E-mail Address

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference: JC/2481/05

請勿填寫本欄 For Official Use



20400257200
APRIL 0435844
25/07/2007

附明編號 2/2004 (修訂) (2004 年 2 月)
Specification No. 2/2004 (Revision) (Feb. 2004)

表格
Form

AR1

公司編號 Company Number

435844

7 按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據《公司條例》第 80 及第 82 條規定向公司註冊處處長登記的按揭及押記的未償還總額

Total Amount outstanding as of the Date of this Return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(註 Note 11) B 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital
(有股本的公司毋須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目
Number of member(s) as at the Date of this Return

(Nil)

(註 Note 12) 9 股本 Share Capital
(無股本的公司毋須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital 總面值 Total Nominal Value †	已發行股本 Issued Share Capital			
		已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares Issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元、美元)
Please specify the currency (e.g. HKD, USD)

第二頁 Page 2

表格
Form

AR1

公司編號 Company Number

435844

(See Note 13)

10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
(如未能盡錄於下列表格內，請用續頁 A 填報 Use Continuation Sheet A if there is insufficient space)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares

Ordinary

如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併填報；股份受讓人的姓名／名稱請在「備註」一欄註明。
If there have been any transfers of the company's shares since the date of the last Annual Return (or since incorporation if this is the first Annual Return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

姓名／名稱 Name	地址 Address	股份 Shares			備註 Remarks
		現時持有量 Current Holding	轉讓 Transferred		
			數目 Number	日期 Date	
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	5,000			
陳軍 CHEN, Jun	Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	5,000			
詹曉坤 ZHAN, Xiao Kun	No. 88 Fu Ning Nong, Jia Ding Town, Jia Ding District, Shanghai, China	Nil	5,000	020/2/2007	Transferred to CHEN, Jun
總數 Total		10,000			

表格 Form AR1

公司編號 Company Number

435844

11 秘書 Secretary

A. 個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁 B 填報 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名 Name in Chinese

英文姓名 Name in English
姓氏 Surname 名字 Other Names

前用姓名 Previous Names

別名 Alias

(註 Note 14) 香港住址 Hong Kong Residential Address

(註 Note 15) 電郵地址 E-mail Address

(註 Note 16) 身份證明 Identification
a 香港身份證號碼 Hong Kong Identity Card Number

b 海外護照 Overseas Passport
簽發國家 Issuing Country 號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁 B 填報 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17) 中文名稱 Name in Chinese 英信秘書服務有限公司

(註 Note 17) 英文名稱 Name in English Panocean Secretarial Services Limited

(註 Note 18) 香港地址 Hong Kong Address Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 15) 電郵地址 E-mail Address (Nil)

公司編號 Company Number (只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong) 227964

表格 Form AR1

公司編號 Company Number

435844

12 董事 Director

A. 個人董事 Individual Director

(如超過兩名個人董事，請用續頁 C 填報 Use Continuation Sheet C if more than 2 individual directors)

(註 Note 19)

1 身份 Capacity

董事 Director

候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

黃然

英文姓名 Name in English

HUANG Ran
姓氏 Surname 名字 Other Names

前用姓名 Previous Names

(Nil)

別名 Alias

(Nil)

(註 Note 20)

住址 Residential Address

Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China
People's Republic of China
國家 Country

(註 Note 21)

電郵地址 E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

N/A

b 海外護照 Overseas Passport

People's Republic of China G04957151
簽發國家 Issuing Country 號碼 Number

表格 Form AR1

公司編號 Company Number

435844

12 董事 Director (續上頁 cont'd)

(註 Note 19)

2 身份 Capacity

董事 Director

候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

陳軍

英文姓名 Name in English

CHEN,

Jun

姓氏 Surname

名字 Other Names

前用姓名 Previous Names

(Nil)

別名 Alias

(Nil)

(註 Note 20)

住址 Residential Address

Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China

China

國家 Country

(註 Note 21)

電郵地址 E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

N/A

中華人民共和國居民身份證號碼

310222196702070417

b 海外護照 Overseas Passport

N/A

N/A

簽發國家 Issuing Country

號碼 Number

表格
Form **AR1**

公司編號 Company Number

435844

12 董事 Director (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁 D 填報) Use Continuation Sheet D if more than 2 corporate directors

(註 Note 19)

1 身份
Capacity

董事
Director

候補董事
Alternate Director

代替 Alternate to

中文名稱
Name in Chinese

英文名稱
Name in English

(註 Note 23)

地址
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

公司編號 Company Number

(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

(註 Note 19)

2 身份
Capacity

董事
Director

候補董事
Alternate Director

代替 Alternate to

中文名稱
Name in Chinese

英文名稱
Name in English

(註 Note 23)

地址
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

公司編號 Company Number

(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Director (請上頁 cont'd)

C. 備任董事 Reserve Director

(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名
Name in Chinese

英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names

別名
Alias

(註 Note 20)

住址
Residential
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

b 海外護照
Overseas Passport

簽發國家 Issuing Country

號碼 Number

表格
Form **AR1**

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)
Address where the following registers of the company are kept (if not kept at the Registered Office in Section 5)

登記冊 Register	地址 Address
a 成員登記冊 Register of Members	N/A
b 債權證持有人登記冊 (如有的話) Register of Debenture Holders (if any)	N/A

(註 Note 24) 14 隨表提交的帳目所涵蓋的會計結算始末日期
Period Covered by Accounts Submitted with this Form
(私人公司毋須填報此項 A private company need not complete this section)

日 DD	月 MM	年 YYYY	至 To	日 DD	月 MM	年 YYYY
------	------	--------	---------	------	------	--------

15 證明書 Certificate

(此項證明只適用於私人公司。如不適用，請刪除此項。)
(This Certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。
I certify that the company has not, since the date of the last Annual Return (or since incorporation if this is the first Annual Return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the Date of this Return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

本申報表包括 _____ 張續頁 A、_____ 張續頁 B、_____ 張續頁 C 及 _____ 張續頁 D。
This Return includes _____ (Nil) Continuation Sheet(s) A, _____ (Nil) Continuation Sheet(s) B, _____ (Nil) Continuation Sheet(s) C and _____ (Nil) Continuation Sheet(s) D.

簽署 Signed:

姓名 Name: HUANG, Ran
董事 Director / 秘書 Secretary

日期 Date: 15 / 07 / 2007
日 DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply

第九頁 Page 9



公司註冊處
Companies Registry

周年申報表
Annual Return

(《公司條例》第 107(1)條)
(Companies Ordinance s. 107(1))

存案 Filed

表格
Form AR1

重要事項 Important Notes

- 填表前請參閱《填表須知》。
請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

(註 Note 8)

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在適用的空格內加上 ✓ 號。 Please tick the relevant box

- 有股本的私人公司
Private company having a share capital
- 其他
Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this return is made up to

15	07	2008
日 DD	月 MM	年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.)

(註 Note 9)

5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10)

6 電郵地址 E-mail Address

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocan Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

附列編號 2/2008 (修訂) (2008 年 7 月)
Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



22500354721
AR1L
11/08/2008

0435844

表格
Form

AR1

公司編號 Company Number

435844

7 按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據（公司條例）第 80 及第 82 條規定向公司註冊處處長登記的按揭及押記的未償還總額

Total amount outstanding as of the date of this return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(註 Note 11) 8 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital
(有股本的公司無須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目

Number of Member(s) as at the Date of this Return

(Nil)

(註 Note 12) 9 股本 Share Capital
(無股本的公司無須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital	已發行股本 Issued Share Capital			
	總面值 Total Nominal Value †	已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares Issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元·美元)
Please specify the currency (e.g. HKD, USD)

第二頁 Page 2

指明編號 2/2008 (修訂) (2008 年 7 月)
Specification No. 2/2008 (Revision) (July 2008)

6100

表格
Form

AR1

公司編號 Company Number

435844

10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
 (有股本的公司必須填報此項。如未能盡錄於下列表格內，請用續頁A填報。 Company having a share capital must complete this section. Use Continuation Sheet A if there is insufficient space.)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares

Ordinary

姓名/名稱 Name	地址 Address	股份 Shares		備註 Remarks	
		現時持有量 Current Holding	轉讓* Transferred*		
			數目 Number		日期 Date
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	5,000			
陳軍 CHEN, Jun	Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	5,000			
總數 Total		10,000			

* 如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併申報；股份受讓人的姓名/名稱請在「備註」一欄註明。

* If there have been any transfers of the company's shares since the date of the last annual return (or since incorporation if this is the first annual return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

第三頁 Page 3

表格
Form

AR1

公司編號 Company Number

435844

11 秘書 Secretary

A. 個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名
Name in Chinese英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names別名
Alias

(註 Note 14)

香港住址
Hong Kong
Residential
Address

(註 Note 15)

電郵地址
E-mail Address

(註 Note 16)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Numberb 護照
Passport

簽發國家 Issuing Country

號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17)

中文名稱
Name in Chinese

美信秘書服務有限公司

(註 Note 17)

英文名稱
Name in English

Panocean Secretarial Services Limited

(註 Note 18)

香港地址
Hong Kong
AddressRoom 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C.,
Hong Kong

(註 Note 15)

電郵地址
E-mail Address

(Nil)

公司編號 Company Number

(只適用於在香港註冊的法人團體)

(Only applicable to body corporate registered in Hong Kong)

227964

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Directors

A. 個人董事 Individual Director

(如超過一名個人董事，請用續頁C填解 Use Continuation Sheet C if more than 1 individual director)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

身份
Capacity董事
Director候補董事
Alternate Director

代替 Alternate to

N/A

中文姓名
Name in Chinese

黃然

英文姓名
Name in English

HUANG

Ran

姓氏 Surname

名字 Other Names

前用姓名
Previous Names

(Nil)

別名
Alias

(Nil)

(註 Note 20)

住址
Residential
AddressRoom 501, Unit 4, Block 4, 23 Cha Dao Kou West
Road, Xi Hu District, Nanchang, Jiangxi Province,
ChinaPeople's Republic of
China

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

N/A

b 護照
Passport

People's Republic of China

G04957151

簽發國家 Issuing Country

號碼 Number

表格
Form **AR1**

公司編號 Company Number

435844

12 董事 Directors (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁D續辦 Use Continuation Sheet D if more than 2 corporate directors)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

1

身份
Capacity

董事
Director

候補董事
Alternate Director

代替 Alternate to

中文名稱
Name in Chinese

英文名稱
Name in English

(註 Note 23)

地址
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

(註 Note 19)

2

身份
Capacity

董事
Director

候補董事
Alternate Director

代替 Alternate to

中文名稱
Name in Chinese

英文名稱
Name in English

(註 Note 23)

地址
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Directors (續上頁 cont'd)

C. 備任董事 Reserve Director

(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名
Name in Chinese英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names別名
Alias

(註 Note 20)

住址
Residential
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Numberb 護照
Passport

簽發國家 Issuing Country

號碼 Number

AR1

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)
Address where the following registers of the company are kept (if not kept at the registered office stated in Section 5)

登記冊 Register	地址 Address
a 成員登記冊 Register of Members	N/A
b 債權證持有人登記冊 (如有的話) Register of Debenture Holders (if any)	N/A

(註 Note 24) 14 隨本表格提交的帳目所涵蓋的會計期
Period Covered by Accounts Submitted with this Form
(私人公司無須填報此項 A private company need not complete this section)

日 DD	月 MM	年 YYYY	至 To	日 DD	月 MM	年 YYYY
------	------	--------	------	------	------	--------

15 證明書 Certificate

(此項證明只適用於私人公司，如不適用，請刪去此項。)
(This certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。
I certify that the company has not, since the date of the last annual return (or since incorporation if this is the first annual return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the date of this return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

(註 Note 25)

提示 Advisory Note

所有公司董事均應閱讀公司註冊處編製的《有關董事責任的非法定指引》的最新版本，並熟悉該指引所概述的董事一般責任。
All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

本申報表包括下列續頁。 This Return includes the following Continuation Sheet(s).

續頁 Continuation Sheet(s)	A	B	C	D
頁數 Number of pages	(Nil)	(Nil)	1	(Nil)

(註 Note 6) 簽署 Signed :



姓名 Name : HUANG, Ran
董事 Director / 秘書 Secretary *

日期 Date : 15 / 07 / 2008
日 DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply

第八頁 Page 8

表格
Form **AR1**

(續頁 C Continuation Sheet C)

本申報表日期 Date of Return

15	07	2008
日 DD	月 MM	年 YYYY

公司編號 Company Number

435844

個人董事詳情 (第 12A 項) Details of Individual Director (Section 12A)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

身份

Capacity



董事

Director



候補董事

Alternate Director

代替 Alternate to

N/A

中文姓名

Name in Chinese

陳軍

英文姓名

Name in English

CHEN,

Jun

姓氏 Surname

名字 Other Names

前用姓名

Previous Names

(Nil)

別名

Alias

(Nil)

(註 Note 20)

住址

Residential
Address

Room 601, No. 28, 366 Long, De Yuan Road,
Nan Xiang Town, Jia Ding District, Shanghai,
China

China

國家 Country

(註 Note 21)

電郵地址

E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼

Hong Kong Identity Card Number

N/A

中華人民共和國居民身份證號碼

310222196702070417

b 護照

Passport

N/A

N/A

簽發國家 Issuing Country

號碼 Number



公司註冊處
Companies Registry

周年申報表
Annual Return

(《公司條例》第 107(1)條)
(Companies Ordinance s. 107(1))

存案 Filed

表格
Form AR1

重要事項 Important Notes

- 填表前請參閱(填表須知)。
請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

(註 Note 8)

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在適用的空格內加上 ✓ 號 Please tick the relevant box

- 有股本的私人公司 Private company having a share capital
- 其他 Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this return is made up to

15 07 2009

日 DD 月 MM 年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.

(註 Note 9)

5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10)

6 電郵地址 E-mail Address

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

指明編號 2/2008 (修訂) (2008年7月)
Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



22100489040
AR1L
31/07/2009

0435844

表格
Form **AR1**

公司編號 Company Number

435844

7 按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據《公司條例》第 80 及第 82 條規定向公司註冊處總長登記的按揭及押記的未償還總額

Total amount outstanding as of the date of this return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(註 Note 11) **8 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital**
(有股本的公司無須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目

Number of Member(s) as at the Date of this Return

(Nil)

(註 Note 12) **9 股本 Share Capital**

(無股本的公司無須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital	已發行股本 Issued Share Capital			
	總面值 Total Nominal Value †	已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元、美元)
Please specify the currency (e.g. HKD, USD)

第二頁 Page 2

AR1

公司編號 Company Number

435844

10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
 (有股本的公司必須填報此項。如未經留餘於下列表格內，請用續頁A填報。 Company having a share capital must complete this section. Use Continuation Sheet A if there is insufficient space.)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares

Ordinary

姓名/名稱 Name	地址 Address	股份 Shares		備註 Remarks	
		現時持有量 Current Holding	轉讓* Transferred*		
			數目 Number		日期 Date
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	5,000			
陳軍 CHEN, Jun	Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	5,000			
總數 Total		10,000			

* 如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併申報；股份受讓人的姓名/名稱請在「備註」一欄註明。

* If there have been any transfers of the company's shares since the date of the last annual return (or since incorporation if this is the first annual return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

第三頁 Page 3

表格 Form **AR1**

公司編號 Company Number

435844

11 秘書 Secretary

A. 個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名 Name in Chinese

英文姓名 Name in English
姓氏 Surname 名字 Other Names

前用姓名 Previous Names

別名 Alias

(註 Note 14)

香港住址 Hong Kong Residential Address

(註 Note 15)

電郵地址 E-mail Address

(註 Note 16)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

b 護照 Passport
簽發國家 Issuing Country 號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17)

中文名稱 Name in Chinese 美信秘書服務有限公司

(註 Note 17)

英文名稱 Name in English Panocean Secretarial Services Limited

(註 Note 18)

香港地址 Hong Kong Address Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 15)

電郵地址 E-mail Address (Nil)

公司編號 Company Number

(只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong)

227964

公司編號 Company Number

435844

Directors

個人董事 Individual Director

(如超過一名個人董事，請用續頁C填報 Use Continuation Sheet C if more than 1 individual director)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

董事 Director
 候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名
Name in Chinese

黃然

英文姓名
Name in English

HUANG

Ran

姓氏 Surname

名字 Other Names

前用姓名
Previous Names

(Nil)

別名
Alias

(Nil)

(註 Note 20)

住址
Residential
AddressRoom 501, Unit 4, Block 4, 23 Cha Dao Kou West
Road, Xi Hu District, Nanchang, Jiangxi Province,
ChinaPeople's Republic of
China

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

N/A

b 護照
Passport

People's Republic of China

G04957151

簽發國家 Issuing Country

號碼 Number

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Directors (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁D填報 Use Continuation Sheet D if more than 2 corporate directors)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19) 1 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23) 地址 Address 國家 Country

(註 Note 21) 電郵地址 E-mail Address

公司編號 Company Number (只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong)

(註 Note 19) 2 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23) 地址 Address 國家 Country

(註 Note 21) 電郵地址 E-mail Address

公司編號 Company Number (只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong)

表格
Form

AR1

公司編號 Company Number

435844

12 董事 Directors (續上頁 cont'd)

C. 備任董事 Reserve Director

(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名
Name in Chinese英文姓名
Name in English

姓氏 Surname

名字 Other Names

前用姓名
Previous Names別名
Alias

(註 Note 20)

住址
Residential
Address

國家 Country

(註 Note 21)

電郵地址
E-mail Address

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Numberb 護照
Passport

簽發國家 Issuing Country

號碼 Number

表格
Form

AR1

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)

Address where the following registers of the company are kept (if not kept at the registered office stated in Section 5)

登記冊 Register

地址 Address

a 成員登記冊

Register of Members

N/A

b 債權證持有人登記冊

(如有的話)

Register of Debenture
Holders (if any)

N/A

14 隨本表格提交的帳目所涵蓋的會計期

Period Covered by Accounts Submitted with this Form

(私人公司無須填報此項 A private company need not complete this section)

日 DD	月 MM	年 YYYY	至 To	日 DD	月 MM	年 YYYY
------	------	--------	---------	------	------	--------

15 證明書 Certificate

(此項證明只適用於私人公司。如不適用，請刪去此項。)

(This certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。

I certify that the company has not, since the date of the last annual return (or since incorporation if this is the first annual return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the date of this return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

(註 Note 25)

提示 Advisory Note

所有公司董事均應閱讀公司註冊處編製的《有關董事責任的非法定指引》的最新版本，並熟悉該指引所概述的董事一般責任。

All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

本申報表包括下列續頁。 This Return includes the following Continuation Sheet(s).

續頁 Continuation Sheet(s)	A	B	C	D
頁數 Number of pages	(Nil)	(Nil)	1	(Nil)

For and on behalf of
美信秘書服務有限公司
Panocean Secretarial Services Limited


Authorised Signature(s)

(註 Note 5)

簽署 Signed :

姓名 Name : Panocean Secretarial Services Limited
董事 Director / 秘書 Secretary *

日期 Date : 15 / 07 / 2009

日 DD / 月 MM / 年 YYYY

* 請刪去不適用者 Delete whichever does not apply

第八頁 Page 8

表格
Form **AR1**

(續頁 C Continuation Sheet C)

本申報表日期 Date of Return

15	07	2009
日 DD	月 MM	年 YYYY

公司編號 Company Number

435844

個人董事詳情 (第 12A 項) Details of Individual Director (Section 12A)

請在適用的空格內加上 號 Please tick the relevant box(es)

身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to N/A

中文姓名 Name in Chinese 陳軍

英文姓名 Name in English CHEN, Jun
姓氏 Surname 名字 Other Names

前用姓名 Previous Names (Nil)

別名 Alias (Nil)

(註 Note 20)

住址 Residential Address Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China
國家 Country

(註 Note 21)

電郵地址 E-mail Address (Nil)

(註 Note 22)

身份證明 Identification
a 香港身份證號碼 Hong Kong Identity Card Number N/A
中華人民共和國居民身份證號碼 310222196702070417
b 護照 Passport N/A N/A
簽發國家 Issuing Country 號碼 Number



周年申報表
Annual Return
(《公司條例》第 107(1)條)
(Companies Ordinance s. 107(1))

存案 Filed

表格
Form AR1

重要事項 Important Notes

填表前請參閱《填表須知》。
請用黑色墨水列印。

Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在適用的空格內加上 ✓ 號 Please tick the relevant box

有股本的私人公司
Private company having a share capital

其他
Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this return is made up to

15	07	2010
日 DD	月 MM	年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.

(註 Note 9) 5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10) 6 電郵地址 E-mail Address

(註 Note 3) 提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

指明編號 2/2008 (修訂) (2008年7月)
Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



22300481066
AR1L 0435844
24/08/2010

AR1

公司編號 Company Number

435844

按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據《公司條例》第 80 及第 82 條規定向公司註冊處處長登記的按揭及押記的未償還總額

Total amount outstanding as of the date of this return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(註 Note 11) 8 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital
(有股本的公司無須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目

Number of Member(s) as at the Date of this Return

(Nil)

(註 Note 12) 9 股本 Share Capital
(無股本的公司無須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital 總面值 Total Nominal Value †	已發行股本 Issued Share Capital			
		已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares Issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元、美元)
Please specify the currency (e.g. HKD, USD)

AR1

公司編號 Company Number

435844

10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
 (有股本的公司必須填報此項。如未能盡錄於下列表格內，請用續頁A 填報。 Company having a share capital must complete this section. Use Continuation Sheet A if there is insufficient space.)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares Ordinary

姓名 / 名稱 Name	地址 Address	股份 Shares		備註 Remarks	
		現時持有量 Current Holding	轉讓* Transferred*		
			數目 Number		日期 Date
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	5,000			
陳軍 CHEN, Jun	Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	5,000			
總數 Total		10,000			

* 如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併申報；股份受讓人的姓名/名稱請在「備註」一欄註明。
 * If there have been any transfers of the company's shares since the date of the last annual return (or since incorporation if this is the first annual return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

公司編號 Company Number

435844

個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名 Name in Chinese

英文姓名 Name in English 姓氏 Surname 名字 Other Names

前用姓名 Previous Names

別名 Alias

香港住址 Hong Kong Residential Address

電郵地址 E-mail Address

身份證明 Identification a 香港身份證號碼 Hong Kong Identity Card Number

b 護照 Passport 簽發國家 Issuing Country 號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁B填報 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17) 中文名稱 Name in Chinese 美信秘書服務有限公司

(註 Note 17) 英文名稱 Name in English Panocean Secretarial Services Limited

(註 Note 18) 香港地址 Hong Kong Address Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 15) 電郵地址 E-mail Address (Nil)

公司編號 Company Number (只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong) 227964

AR1

公司編號 Company Number

435844

董事 Directors

A. 個人董事 Individual Director

(如超過一名個人董事，請用續頁C填報 Use Continuation Sheet C if more than 1 Individual director)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

身份 Capacity 董事 Director 候補董事 Alternate Director

代替 Alternate to
N/A

中文姓名 Name in Chinese 黃然

英文姓名 Name in English HUANG 姓氏 Surname Ran 名字 Other Names

前用姓名 Previous Names (Nil)

別名 Alias (Nil)

(註 Note 20)

住址 Residential Address Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China 國家 Country People's Republic of China

(註 Note 21)

電郵地址 E-mail Address (Nil)

(註 Note 22)

身份證明 Identification a 香港身份證號碼 Hong Kong Identity Card Number N/A

b 護照 Passport People's Republic of China 簽發國家 Issuing Country G04957151 號碼 Number

AR1

公司編號 Company Number

435844

董事 Directors (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁D填報 Use Continuation Sheet D if more than 2 corporate directors)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

1 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

2 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

AR1

公司編號 Company Number

435844

董事 Directors (續上頁 cont'd)

○ 備任董事 Reserve Director

(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名
Name in Chinese

英文姓名
Name in English

<input type="text"/>	<input type="text"/>
姓氏 Surname	名字 Other Names

前用姓名
Previous Names

別名
Alias

(註 Note 20)

住址
Residential Address

<input type="text"/>	<input type="text"/>
	國家 Country

(註 Note 21)

電郵地址
E-mail Address

(註 Note 22)

身份證明 Identification

a 香港身份證號碼
Hong Kong Identity Card Number

b 護照
Passport

<input type="text"/>	<input type="text"/>
簽發國家 Issuing Country	號碼 Number

表格
Form

AR1

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)
Address where the following registers of the company are kept (if not kept at the registered office stated in Section 5)

登記冊 Register	地址 Address
a 成員登記冊 Register of Members	N/A
b 債權證持有人登記冊 (如有) Register of Debenture Holders (if any)	N/A

(註 Note 24) 14 隨本表格提交的帳目所涵蓋的會計期
Period Covered by Accounts Submitted with this Form
(私人公司無須填報此項 A private company need not complete this section)

日 DD	月 MM	年 YYYY	至 To	日 DD	月 MM	年 YYYY
------	------	--------	------	------	------	--------

15 證明書 Certificate

(此項證明只適用於私人公司。如不適用，請刪去此項。)
(This certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。
I certify that the company has not, since the date of the last annual return (or since incorporation if this is the first annual return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the date of this return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

(註 Note 25)

提示 Advisory Note

所有公司董事均應閱讀公司註冊處編製的《有關董事責任的非法定指引》的最新版本，並熟悉該指引所概述的董事一般責任。
All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

本申報表包括下列續頁。 This Return includes the following Continuation Sheet(s).

續頁 Continuation Sheet(s)	A	B	C	D
頁數 Number of pages	(Nil)	(Nil)	1	(Nil)

For and on behalf of
美信秘書服務有限公司
PanOcean Secretarial Services Limited

(註 Note 5)

簽署 Signed: 
.....
Authorized Signature(s)

姓名 Name: PanOcean Secretarial Services Limited
董事 Director / 秘書 Secretary *

日期 Date: 15/07/2010
日 DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply

表格 Form **AR1**

(續頁 C Continuation Sheet C)

本申報表日期 Date of Return

15	07	2010
日 DD	月 MM	年 YYYY

公司編號 Company Number

435844

個人董事詳情 (第 12A 項) Details of Individual Director (Section 12A)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

身份 Capacity

董事 Director

候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

陳軍

英文姓名 Name in English

CHEN,	Jun
姓氏 Surname	名字 Other Names

前用姓名 Previous Names

(Nil)

別名 Alias

(Nil)

(註 Note 20)

住址 Residential Address

Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	China
	國家 Country

(註 Note 21)

電郵地址 E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

N/A

中華人民共和國居民身份證號碼

310222196702070417

b 護照 Passport

N/A	N/A
簽發國家 Issuing Country	號碼 Number

存案 Filed

秘書及董事更改通知書(委任/離任)
Notification of Change of Secretary and Director
(Appointment/Cessation)

(《公司條例》第 158(4) - (4AA) 及 (9A) 條)
(Companies Ordinance s. 158(4), (4AA) & (9A))

表格 Form D2A



重要事項 Important Notes

填表前請參閱(填表須知)。
請用黑色墨水列印。
Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 更改詳情 Details of Change

A. 秘書/董事的離任 Cessation to Act as Secretary/Director

(如有超過一名秘書/董事離任, 請用續頁 A 填報 Use Continuation Sheet A if more than 1 secretary/director ceased to act)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

N/A

個人秘書/董事的姓名 Name of Individual Secretary/Director

陳軍

CHEN,

Jun

中文姓名 Name in Chinese

英文姓氏 Surname in English

英文名字 Other Names in English

中華人民共和國居民身份證號碼

310222196702070417

(註 Note 7)

身份證明 Identification

N/A

N/A

香港身份證號碼 HK Identity Card Number

護照號碼 Passport Number

或 OR

(註 Note 8)

法人團體秘書/董事的中文及英文名稱

Chinese and English Names of Corporate Secretary/Director

離任原因

Reason for Cessation

辭職/其他

Resignation/Others

去世

Deceased

(註 Note 9)

離任日期

Date of Cessation

30

07

2010

日 DD

月 MM

年 YYYY

(註 Note 10)

請述明上述離任董事/候補董事在離任日期後, 是否繼續擔任公司的候補董事/董事職位

Please indicate whether the director/alternate director who is ceasing to act will continue to hold office as alternate director/director in the company after the date of cessation

是 Yes

否 No

(註 Note 4)

提交人的資料 Presentor's Reference

姓名 Name: Panocan Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

電話 Tel: 2851 1823

傳真 Fax: 2851 1826

電郵地址 E-mail Address:

檔號 Reference:

指明編號 2/2008 (修訂) (2008 年 7 月)
Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



22000629001
D2A
10/08/2011

0435844

6100

D2A

公司編號 Company Number

435844

更改詳情 Details of Change (續上頁 cont'd)

個人秘書/董事的委任 Appointment of Individual Secretary/Director

(如委任超過一名個人秘書/董事，請用續頁B填報) (Use Continuation Sheet B if more than 1 individual secretary/director is appointed)

請在適用的空格內加上✓號 Please tick the relevant box(es)

身份 Capacity: 秘書 Secretary, 董事 Director, 候補董事 Alternate Director

代替 Alternate to

中文姓名 Name in Chinese

英文姓名 Name in English

姓氏 Surname

名字 Other Names

前用姓名 Previous Names

別名 Alias

住址 Residential Address

國家 Country

(*轉交、地址及郵政信箱號碼恕不接受) Care of addresses and post office box numbers are not acceptable

電郵地址 E-mail Address

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

b 護照 Passport

簽發國家 Issuing Country

號碼 Number

委任日期 Date of Appointment

日 DD 月 MM 年 YYYY

請述明董事/候補董事在獲得上述委任時，是否公司現任的候補董事/董事 Please indicate whether the director/alternate director whose appointment is reported above is already an existing alternate director/director in the company at the time of the above appointment

是 Yes

否 No

提示 Advisory Note

所有公司董事均應閱讀公司註冊處編製的《有關董事責任的非法定指引》的最新版本，並熟悉該指引所概述的董事一般責任。 All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

出任董事職位同意書 Consent to Act as Director

本人同意出任公司的董事/候補董事*，並確認本人已年滿18歲。 I consent to act as a director/alternate director* of this company and confirm that I have attained the age of 18 years.

簽署 Signed

*請刪去不適用者 Delete whichever does not apply

D2A

公司編號 Company Number

435844

更改詳情 Details of Change (續上頁 cont'd)

法人團體秘書/董事的委任 Appointment of Corporate Secretary/Director
(如委任超過一名法人團體秘書/董事, 請用續頁 C 填妥)
(Use Continuation Sheet C if more than 1 corporate secretary/director is appointed)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

地址 Address
國家 Country

(* 英文, 地址及郵政信箱號碼恕不接受 Care of addresses and post office box numbers are not acceptable)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

委任日期 Date of Appointment
日 DD 月 MM 年 YYYY

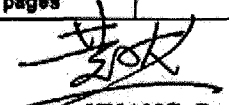
(註 Note 21) 請述明董事/候補董事在獲得上述委任時, 是否公司現任的候補董事/董事
Please indicate whether the director/alternate director whose appointment is reported above is already an existing alternate director/director in the company at the time of the above appointment 是 Yes 否 No

(註 Note 22) 提示 Advisory Note
所有公司董事均應閱讀公司註冊處編製的(有關董事責任的非法定指引)的最新版本, 並熟悉該指引所概述的董事一般責任。
All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

(註 Note 22) 出任董事職位同意書 Consent to Act as Director
本人謹代表上述公司確認, 上述公司同意出任公司的董事/候補董事*。
I, acting on behalf of the above named company, confirm that the above company consents to act as a director/alternate director* of this company.
簽署 Signed : _____
Director/Secretary/Authorized Person of the Corporate Director*

本通知書包括下列續頁。 This Notification includes the following Continuation Sheet(s):

續頁 Continuation Sheet(s)	A	B	C
頁數 Number of pages	(Nil)	(Nil)	(Nil)

(註 Note 5) 簽署 Signed : 
姓名 Name : HUANG, Ran 日期 Date : 30 / 07 / 2011
董事 Director/秘書 Secretary* 日 DD / 月 MM / 年 YYYY

* 請刪去不適用者 Delete whichever does not apply

存案 Filed



秘書及董事辭職通知書
Notification of Resignation of
Secretary and Director

(公司條例第 157D(2)條(備用))
(Companies Ordinance s. 157D(2) Proviso)

表格
Form D4

重要事項 Important Notes

- 填表前請參閱(填表須知)。
請用黑色墨水列印。
Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

2 辭職秘書/董事的資料 Particulars of the Resigning Secretary/Director

請在有關空格內加✓號 Please tick the relevant box(es)

身份 Capacity 秘書 Secretary 董事 Director 候補董事 Alternate Director

代替 Alternate to

N/A

個人秘書/董事的姓名 Name of Individual Secretary/Director

陳軍

CHEN,

Jun

中文姓名 Name in Chinese

英文姓氏 Surname in English

英文名字 Other Names in English

中華人民共和國居民身份證號碼

310222196702070417

身份證明
Identification

N/A

N/A

香港身份證號碼 HK Identity Card Number

海外護照號碼 Overseas Passport Number

或 OR

法人團體秘書/董事的中文及英文名稱
Chinese and English Names of Corporate Secretary/Director

辭職日期
Date of Resignation

30

07

2010

日 DD

月 MM

年 YYYY

(註 Note 6)

請述明上述離任董事/候補董事在離任日期後,是否繼續擔任公司的
候補董事/董事職位

是 Yes

Please indicate whether the Director/Alternate Director ceasing to act will
continue to hold office as Alternate Director/Director in the Company after
the date of cessation

否 No

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocean Secretarial Services Limited

地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

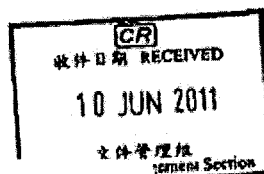
電話 Tel: 2851 1823 傳真 Fax: 2851 1826

電郵地址 E-mail Address:

編號 Reference:

指明編號 2/2004 (修訂) (2004年2月)
Specification No. 2/2004 (Revision) (Feb. 2004)

請勿填寫本欄 For Official Use



22000829892
04
10/06/2011

0435844

2 0 0 0

表格
Form

D4

公司編號 Company Number

435844

3 辭職通知 Notice of Resignation

請在有關空格內加 ✓ 號 Please tick the relevant box

按照上述公司的章程細則或本人與該公司訂立的協議的規定，本人須向該公司發出辭職通知；本人亦已按照有關的規定發出該辭職通知。
 I am required by the articles of the above-named Company or by an agreement made with the Company to give notice of resignation to the Company and I have given such notice of resignation in accordance with the relevant requirement.

按照上述公司的章程細則或本人與該公司訂立的協議的規定，本人須向該公司發出辭職通知，本人並未按照有關規定發出通知，但已藉郵遞方式將辭職通知書送交公司的註冊辦事處，或將該通知書留交該辦事處。
 I am required by the articles of the above-named Company or by an agreement made with the Company to give notice of resignation to the Company. I have not given the notice of resignation in accordance with the requirement but have sent the notice of resignation by post to, or by leaving it at, the registered office of the Company.

按照上述公司的章程細則或本人與該公司訂立的任何協議，本人不須向該公司發出辭職通知。
 I am not required by the articles of the above-named Company or by any agreement made with the Company to give notice of resignation to the Company.

簽署 Signed :

姓名 Name : CHEN, Jun
辭職的秘書/董事 *
Resigning Secretary/Director *

日期 Date : 30/07/2010
日 DD / 月 MM / 年 YYYY

* 請刪去不適用者 Delete whichever does not apply



公司註冊處
Companies Registry

周年申報表
Annual Return

(《公司條例》第 107(1)條)
(Companies Ordinance s. 107(1))

存案 Filed

表格
Form AR1

重要事項 Important Notes

- 填表前請參閱《填表須知》。
請用黑色墨水列印。
- Please read the accompanying notes before completing this form.
Please print in black ink.

公司編號 Company Number

435844

1 公司名稱 Company Name

SONIC JITA ENGINEERING LIMITED

(註 Note 8)

2 商業名稱 Business Name

N/A

3 公司類別 Type of Company

請在適用的空格內加上 ✓ 號 Please tick the relevant box

- 有股本的私人公司
Private company having a share capital
- 其他
Others

4 本申報表日期 Date of this Return

本申報表列載公司截至右列日期為止的資料
The information in this return is made up to

15	07	2011
日 DD	月 MM	年 YYYY

(如屬有股本的私人公司，本申報表應列載截至公司成立為法團的周年日期的資料。如屬其他公司，所列載的資料則應截至公司周年大會日期或以代替周年大會的書面決議的日期為止。)

For a private company having a share capital, the information in this return should be made up to the anniversary of the date of incorporation. For other companies, the information should be made up to the date of the annual general meeting (AGM) or the date of written resolution passed in lieu of AGM.

(註 Note 9)

5 註冊辦事處地址 Address of Registered Office

Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 10)

6 電郵地址 E-mail Address

(註 Note 3)

提交人的資料 Presenter's Reference

姓名 Name: Panocan Secretarial Services Limited
地址 Address: Room 1708, Kai Tak Commercial Building,
317-319 Des Voeux Road C., Hong Kong

電話 Tel: 傳真 Fax:

電郵地址 E-mail Address:

檔號 Reference:

指明編號 2/2008 (修訂) (2008 年 7 月)
Specification No. 2/2008 (Revision) (July 2008)

請勿填寫本欄 For Official Use



22300586313
AR1L
22/08/2011 0435844

0010

AR1

公司編號 Company Number

435844

7 按揭及押記 Mortgages and Charges

截至本申報表日期，所有須根據《公司條例》第 80 及第 82 條規定向公司註冊處處長登記的按揭及押記的未償還總額

Total amount outstanding as of the date of this return on all mortgages and charges which are required to be registered with the Registrar of Companies pursuant to sections 80 and 82 of the Companies Ordinance

(Nil)

(Note 11) 8 無股本公司的成員數目 Number of Member(s) of a Company Not Having a Share Capital
(有股本的公司無須填報此項 Company having a share capital need not complete this section)

截至本申報表日期的成員數目

Number of Member(s) as at the Date of this Return

(Nil)

(Note 12) 9 股本 Share Capital
(無股本的公司無須填報第 9 及第 10 項 Company not having a share capital need not complete sections 9 & 10)

截至本申報表日期 As at the Date of this Return					
股份類別 Class of Shares	法定股本 Authorized Share Capital	已發行股本 Issued Share Capital			
	總面值 Total Nominal Value †	已發行 股份數目 Number of Shares Issued (a)	每股已 發行股份 的面值 Nominal Value of Each Share Issued † (b)	已發行股份的 總面值 Total Nominal Value of Shares Issued † (a) x (b)	已發行股份的 已繳股款總值 (不包括溢價) Total Paid up Value of Shares Issued † (excluding premium)
Ordinary	HKD10,000.00	10,000	HKD1.00	HKD10,000.00	HKD10,000.00
總值 Total	HKD10,000.00	10,000		HKD10,000.00	HKD10,000.00

† 請註明貨幣單位(例如：港元、美元)
Please specify the currency (e.g. HKD, USD)

表格
Form AR1

公司編號 Company Number

435844

- 10 有股本公司的成員詳情 Details of Member(s) of a Company Having a Share Capital
(有股本的公司必須填報此項。如未能適錄於下列表格內，請用續頁 A 填報。 Company having a share capital must complete this section. Use Continuation Sheet A if there is insufficient space.)

截至本申報表日期的成員詳情 Details of Member(s) as at the Date of this Return

股份類別 Class of Shares

Ordinary

姓名／名稱 Name	地址 Address	股份 Shares			備註 Remarks
		現時持有量 Current Holding	轉讓* Transferred*		
			數目 Number	日期 Date	
黃然 HUANG, Ran	Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China	10,000			
陳軍 CHEN, Jun	Room 601, No. 28, 366 Long, De Yuan Road, Nan Xiang Town, Jia Ding District, Shanghai, China	(Nil)	5,000	30/7/2010	Transferred to HUANG, Ran
總數 Total		10,000			

* 如公司的股份自上一份周年申報表日期以來(如屬首份周年申報表，則自公司成立為法團以來)有任何轉讓，有關詳情亦請一併申報；股份受讓人的姓名／名稱請在「備註」一欄註明。

* If there have been any transfers of the company's shares since the date of the last annual return (or since incorporation if this is the first annual return), please also provide details of the transfers; the name of the transferee should be stated in the 'Remarks' column.

表格 Form AR1

公司編號 Company Number

435844

11 秘書 Secretary

A. 個人秘書 Individual Secretary

(如超過一名個人秘書，請用續頁B填寫 Use Continuation Sheet B if more than 1 individual secretary)

中文姓名 Name in Chinese

英文姓名 Name in English
姓氏 Surname 名字 Other Names

前用姓名 Previous Names

別名 Alias

(註 Note 14) 香港住址 Hong Kong Residential Address

(註 Note 15) 電郵地址 E-mail Address

(註 Note 16) 身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

b 護照 Passport
簽發國家 Issuing Country 號碼 Number

B. 法人團體秘書 Corporate Secretary

(如超過一名法人團體秘書，請用續頁B填寫 Use Continuation Sheet B if more than 1 corporate secretary)

(註 Note 17) 中文名稱 Name in Chinese 美信秘書服務有限公司

(註 Note 17) 英文名稱 Name in English Panocean Secretarial Services Limited

(註 Note 18) 香港地址 Hong Kong Address Room 1708, Kai Tak Commercial Building, 317-319 Des Voeux Road C., Hong Kong

(註 Note 15) 電郵地址 E-mail Address (Nil)

公司編號 Company Number (只適用於在香港註冊的法人團體) (Only applicable to body corporate registered in Hong Kong) 227964

表格 Form AR1

435844

12 董事 Directors

A. 個人董事 Individual Director

(如超過一名個人董事，請用續頁C填報 Use Continuation Sheet C if more than 1 individual director)

(Note 19)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

身份 Capacity

董事 Director

候補董事 Alternate Director

代替 Alternate to

N/A

中文姓名 Name in Chinese

黃然

英文姓名 Name in English

HUANG, 姓氏 Surname

Ran 名字 Other Names

前用姓名 Previous Names

(Nil)

別名 Alias

(Nil)

(註 Note 20)

住址 Residential Address

Room 501, Unit 4, Block 4, 23 Cha Dao Kou West Road, Xi Hu District, Nanchang, Jiangxi Province, China

People's Republic of China 國家 Country

(註 Note 21)

電郵地址 E-mail Address

(Nil)

(註 Note 22)

身份證明 Identification

a 香港身份證號碼 Hong Kong Identity Card Number

N/A

b 護照 Passport

People's Republic of China 簽發國家 Issuing Country

G04957151 號碼 Number

435844

12 董事 Directors (續上頁 cont'd)

B. 法人團體董事 Corporate Director

(如超過兩名法人團體董事，請用續頁 D 填報 Use Continuation Sheet D if more than 2 corporate directors)

請在適用的空格內加上 ✓ 號 Please tick the relevant box(es)

(註 Note 19)

1 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

(註 Note 19)

2 身份 Capacity 董事 Director 候補董事 Alternate Director 代替 Alternate to

中文名稱 Name in Chinese

英文名稱 Name in English

(註 Note 23)

地址 Address

國家 Country

(註 Note 21)

電郵地址 E-mail Address

公司編號 Company Number
(只適用於在香港註冊的法人團體)
(Only applicable to body corporate registered in Hong Kong)

表格 Form AR1

公司編號 Company Number

435844

12 董事 Directors (續上頁 cont'd)

C. 備任董事 Reserve Director
(只適用於只有一名成員而該成員同時亦是唯一董事的私人公司 Only applicable to a private company with only one member who is also the sole director of the company)

中文姓名 Name in Chinese

英文姓名 Name in English
姓氏 Surname 名字 Other Names

前用姓名 Previous Names

別名 Alias

(註 Note 20)

住址 Residential Address
國家 Country

(註 Note 21)

電郵地址 E-mail Address

(註 Note 22)

身份證明 Identification
a 香港身份證號碼 Hong Kong Identity Card Number

b 護照 Passport
簽發國家 Issuing Country 號碼 Number

表格
Form **AR1**

公司編號 Company Number

435844

13 登記冊 Registers

公司備存下列登記冊的地址(如並非備存於第 5 項的註冊辦事處內)
Address where the following registers of the company are kept (if not kept at the registered office stated in Section 5)

登記冊 Register	地址 Address
a 成員登記冊 Register of Members	N/A
b 債權證持有人登記冊 (如有的話) Register of Debenture Holders (if any)	N/A

(註 Note 24) **14 隨本表格提交的帳目所涵蓋的會計期**
Period Covered by Accounts Submitted with this Form
(私人公司無須填報此項 A private company need not complete this section)

			至			
H DD	月 MM	年 YYYY	To	日 DD	月 MM	年 YYYY

15 證明書 Certificate

(此項證明只適用於私人公司，如不適用，請刪去此項。)
(This certificate should only be completed in respect of a private company. If not applicable, please delete.)

本人證明公司自上一份周年申報表日期以來(如屬首份周年申報表，則自成立為法團以來)，並無發出任何文件，邀請公眾人士認購公司任何股份或債權證；同時如成員數目於本申報表日期超過五十，則所超出的成員，全是根據《公司條例》第 29(1)(b)條不須計算入該五十名額內的人士。
I certify that the company has not, since the date of the last annual return (or since incorporation if this is the first annual return), issued any invitation to the public to subscribe for any shares or debentures in the company and that if the number of members is in excess of 50 as at the date of this return, the excess are persons who under section 29(1)(b) of the Companies Ordinance are not to be included in the calculation of 50.

(註 Note 25)

提示 Advisory Note

所有公司董事均應閱讀公司註冊處編製的《有關董事責任的非法定指引》的最新版本，並熟悉該指引所概述的董事一般責任。
All directors of the company are advised to read the latest version of the 'Non-Statutory Guidelines on Directors' Duties' published by the Companies Registry and acquaint themselves with the general duties of directors outlined in the Guidelines.

本申報表包括下列續頁。 This Return includes the following Continuation Sheet(s).

續頁 Continuation Sheet(s)	A	B	C	D
頁數 Number of pages	(Nil)	(Nil)	(Nil)	(Nil)

(註 Note 5) 簽署 Signed :

姓名 Name : HUANG, Ran
董事 Director / ~~秘書 Secretary~~

日期 Date : 15/07/2011
B DD / 月 MM / 年 YYYY

*請刪去不適用者 Delete whichever does not apply

1998 No.A

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE

HUA DAO SHIPPING
(FAR EAST) LIMITED 1st Plaintiff

BM SHIPPING GROUP SRL. 2nd Plaintiff

and

SINO-WOOD PARTNERS LIMITED Defendant

WRIT OF SUMMONS

Dated the - 4 APR 1998
day of 1998

Filed the - 4 APR 1998
day of 1998

RICHARDS BUTLER
Solicitors for the Plaintiffs
20th Floor, Alexandra House
Chater Road, Hong Kong

Tel: 2810 8008
Fax: 2810 1607

Our Ref: DAS\WJGB\k\AH269-001

STATEMENT OF CLAIM

1. At all material times the 1st Plaintiff was a Hong Kong registered shipping and forwarding company providing, inter alia, agency and transshipment services and the 2nd Plaintiff was a shipping company based in Genoa, Italy.
2. The Defendant was at all material times a trading company registered in Hong Kong.
3. By an agreement dated 1st October 1997 between the 2nd Plaintiff the parent company of the 1st Plaintiff and Sonic Jita Engineering Company Limited ("Sonic Jita") an associated company of the Defendant (the "Freight Agreement") it was agreed that freight and transshipment services would be supplied by the 2nd Plaintiff to Sonic Jita in respect of a cargo of one complete plywood manufacturing line (the "Cargo") shipped from Kotka, Finland to Gaoyao, the PRC via Hong Kong.
4. Pursuant to the Freight Agreement, the 2nd Plaintiffs arranged shipment of the Cargo from Kotka to Hong Kong on board the vessel "MED GENOA" and the Defendant, assuming the liability of Sonic Jita under the Freight Agreement, paid the 2nd Plaintiff in full for the ocean freight from Kotka to Hong Kong.
5. It was a term of the Freight Agreement that Sonic Jita would pay the transshipment costs to the 2nd Plaintiffs within three days of the receipt by the Defendant of the bills of lading issued on transshipment and the transshipment cost invoices.
6. The 1st Plaintiff arranged the transshipment of the Cargo at Hong Kong and then arranged onward shipment from Hong Kong to Gaoyao, such services being set out in the 1st Plaintiff's invoices nos.HDS970130 and HDS970135 dated 29th December 1997 totalling HK\$397,413.01 and issued to the Defendant on behalf of the 2nd Plaintiff. The amounts of the invoices were calculated by reference to measurements made of the Cargo at Kotka, Finland.
7. The Defendant disputed the Cargo measurements and declined to settle the 1st Plaintiff's invoices in full. However, the Defendant acknowledged liability to the 1st Plaintiff for at least part of the transshipment cost on 26th January 1998 and made a part payment of US\$100,000 to the 1st Plaintiff.
8. In a meeting dated on or around 16th February 1998 between inter alia Mr. Guido Ferrando, a Director of the 1st Plaintiff and Mr. Wilson Kam, a manager of the Defendant, the Defendant produced a schedule entitled "Freight Calculation for Gaoyao Project" setting out the amounts it claimed to owe to the 1st and/or 2nd Plaintiffs in respect of the transshipment. These calculation of these amounts was based on the Defendant's own measurements of the Cargo carried out at Gaoyao in the absence of the 1st and 2nd Plaintiffs. The 1st and/or 2nd Plaintiffs agreed to accept the amount set out in the schedule, US\$204,363.70, as an initial payment leaving the balance of the amount owed by the Defendant and/or Sonic Jita to the 1st and/or 2nd Plaintiffs to be resolved in arbitration.

9. Wrongfully and in breach of the agreement set out in paragraph 7 above the Defendant have failed to pay the Plaintiffs the agreed amount or any further amount at all in respect of the transshipment and the 1st and 2nd Plaintiffs have suffered loss and/or damage as a result of the Defendant's breach.

Particulars

A. The 1st Plaintiff rendered invoices in respect of the services it provided to the Defendant.

<u>DATE</u>	<u>REFERENCE</u>	<u>AMOUNT</u>
29.12.96	HDS970130	US\$366,413.99
29.12.97	HDS970135	US\$ 27,999.02
		Total: US\$394,413.01
Less sum already paid		US\$100,000.00
Less amount in dispute to be referred to arbitration		<u>US\$ 90,094.31</u>
Balance owed to the 1st and/or 2nd Plaintiff		= <u>US\$204,363.70</u>

B. The Plaintiff claims interest pursuant to Section 48 of the Supreme Court Ordinance for such periods and at such rate as this Honourable Court deems fit.

AND THE PLAINTIFF CLAIMS:-

1. US\$204,363.70;
2. Alternatively damages;
3. Interest;
4. Costs; and
5. Further or other relief;



RICHARDS BUTLER
Solicitors for the Plaintiff

This Writ was issued by Richards Butler of 20th Floor, Alexandra House, Chater Road, Hong Kong, Solicitors for the Plaintiff, whose addresses are (1) is Units 1-10, 14/F., Boss Commercial Centre, 28 Ferry Street, Kowloon and (2) 5, G. da Verrazzano, 54036 Marina di Carrara, Italy.

This is Exhibit "RRR" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



**STAMP OFFICE, INLAND REVENUE DEPARTMENT,
HONG KONG SPECIAL ADMINISTRATIVE REGION**

3/F, Revenue Tower,
5 Gloucester Road, Wan Chai, Hong Kong.
Telephone No. 2594 3201
Web Site: www.ird.gov.hk

STAMPING PROCEDURES AND EXPLANATORY NOTES

Stamping of Shares Transfer

Contract Notes

Contract notes are required to be executed and stamped within a specified period (see para. 5 below) after any sale or purchase of Hong Kong stocks is effected. While there is no specified format of such instruments, the Stamp Duty Ordinance requires that a Contract Note should contain the following particulars -

- a) whether the person effecting the sale or purchase of the Hong Kong stock is acting as principal or agent and, if as agent, the name of the principal;
- b) the date of the transaction and of the making of the contract note;
- c) the quantity and description of such Hong Kong stock;
- d) the price per unit of such Hong Kong stock and the amount of the consideration or, in the case of an exchange, particulars of the property for which such Hong Kong stock is exchanged; and
- e) the date of settlement.

2. Contract notes are stamped by reference to the price paid. If the price paid is considered substantially below the market value of the shares, stamp duty will be assessed based on the market value of the shares as at the date of sale and purchase/ transfer of the shares. For quoted shares, the last closing price of the stock in the Stock Exchange of Hong Kong will normally be accepted as the value of the share transferred for the purpose of calculating stamp duty. In the case of unquoted shares, the value of the stock has to be ascertained from the latest accounts of the company. Other supplementary information may also be enquired if so warranted.

3. Contract notes are NOT required in the case of transferring shares as a gift. In such a scenario, the instrument of transfer is chargeable to a fixed duty of \$5 plus the full ad valorem stamp by reference to the value of shares transferred.

Supporting Documents Required

4. While stamp duty on transactions on quoted shares are usually collected through the Stock Exchange and the contract notes are made and stamped by the stock brokers with authorization from the Collector of Stamp Revenue, contract notes and instruments of transfer of unquoted shares should be presented to the Stamp Office for stamping. To enable the Stamp Office to assess the proper amount of stamp duty payable, the following documents and information should be submitted together with the transfer documents -

- (a) the Memorandum and Articles of Association of the company of which shares are being transferred;
- (b) a certified true copy of the Agreement for Sale and Purchase of the shares if there is any, or otherwise, a confirmation by way of a letter signed by either the vendor or purchaser that no such an agreement exists;
- (c) a statement on whether the Company has acquired any landed property, rights to acquire landed property or investments and, if so, with a completed schedule of property in the proforma as attached;

- (d) the following documents if the company involved has commenced business -
- the latest audited accounts of the company;
 - certified management accounts of the company made up to a date close to the date of transfer, if the audited accounts are not made up to a date within 6 months prior to the date of this transaction;
 - a certified copy of the Return of Allotments for increase of share capital (if relevant); and
 - a certified copy of the resolution of meetings of directors for dividends paid or payable (if relevant); and
- (e) where the company is a recently incorporated one which has not yet commenced business and that no audited accounts have been prepared, a written confirmation is required.

Time for Stamping

5. Stamp duty is payable within the following specified time :-

<i>Nature of Document</i>	<i>Time for Stamping</i>
Contract Note for sale or purchase of any Hong Kong stock	<u>2 days</u> after the sale or purchase, if effected in Hong Kong ; <u>30 days</u> after the sale or purchase, if effected elsewhere
Transfer operating as a voluntary disposition inter vivos (i.e. gift)	<u>7 days</u> after execution; <u>30 days</u> after execution if executed outside Hong Kong
Transfer of any other kind	<u>before</u> execution; <u>30 days</u> after execution if executed outside Hong Kong

[For the current rates of stamp duty, a separate information sheet is available from the Stamp Office.]

Late Penalty

6. Late stamping is subject to the payment of penalty as follows:-

<i>Stamping Delay</i>	<i>Penalty</i>
not exceeding 1 month	2 times the amount of stamp duty
exceeding 1 month but not exceeding 2 months	4 times the amount of stamp duty
in any other case	10 times the amount of stamp duty

Any request for remission of late penalty should be made in writing with full explanations of the delay and supporting evidence. The Collector may remit wholly or partly the penalty payable depending on individual circumstances.

How to stamp and Enquiries

7. The documents may be presented to the Stamp Office in person or be sent in by post. The service hours of the Stamp Office are as follows:-

Monday to Friday 8:45 a.m. to 5:00 p.m.

STAMP OFFICE
March 2006
U3/SOG/PN04A(8/2009)



稅務局 印花稅署
香港灣仔告士打道5號
稅務大樓3樓

INLAND REVENUE DEPARTMENT, STAMP OFFICE
3/F, Revenue Tower, 5 Gloucester Road,
Wan Chai, Hong Kong.

電話號碼 Tel. No.: 2594 3201 圖文傳真 Fax No.: 2519 6740
電郵 E-mail: taxsdo@ird.gov.hk 網址 Web Site: www.ird.gov.hk

[當辦理私人公司股份轉讓的加蓋印花手續時，若該公司在股份轉讓或最近的審核結算日時持有物業的話，必須填寫此表格。]

[This form should be completed when applying for stamping of share transfers of private companies which own/have owned landed properties at the time of transfer or the latest audited accounting date.]

致：印花稅署署長

To: Collector of Stamp Revenue

物業附表 Schedule of Landed Properties

有關股份轉讓 Relating to Transfer of Share(s)

公司名稱 Name of Company: _____

I. 該公司及其附屬公司在以下日期所持有的物業資料 Details of landed property(ies) held by the company and its subsidiary(ies) as at the following date:

附上的審核會計報告結算日期 Cut-off Date of the latest audited accounts now submitted: _____

業主 Owner(s)	物業地址: Address of property (約份和 /或地段編號詳情 D.D. &/or Lot No. Details) 註 Note **	物業種類 Type of Property 請 Please [✓]				業權 Interest Held		購買日期 Date of Purchase	買入價 Purchase Cost	帳面值 Net Book Value Per Account
		空地 Bare Site	村屋 Village House	分層大廈 Building	其他 Others 請說明 Please specify	全部 Whole (100%)	部分 Part (列明持有的百分率 State % held)			
經審核帳目所示買價 合計 :										
Cost as per audited account Total :										

II. 該公司和 /或其附屬公司在以上結算日期至股份轉讓日期的期間內購買和/或出售的物業的詳情 (如有的話) :-

Details of property(ies) purchased and/or sold by the company and/or its subsidiary(ies) during the period from the above cut-off date to the date of shares transfer, if any:-

業主 Owner(s)	物業詳細地址: Address of property (約份和 /或地段編號詳情 D.D. &/or Lot No. Details) 註 Note **	物業種類 Type of Property 請 Please [✓]				業權 Interest Held		購買/出售日期 Date of Purchase/Sale	買價/賣價 Purchase Cost/ Selling Price
		空地 Bare Site	村屋 Village Home	分層大廈 Building	其他 Others 請說明 Please specify	全部 Whole (100%)	部分 Part (列明持有的百分率 State % held)		

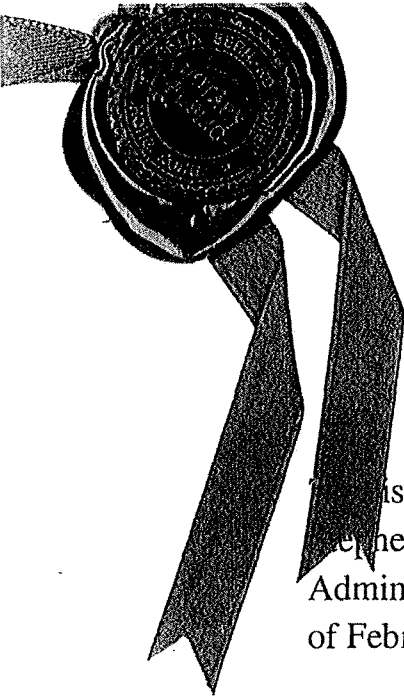
經 董事 \ 經理 \ 會計師 \ 律師 核證
Certified by Director \ Manager \ Accountant \ Solicitor

** 註：

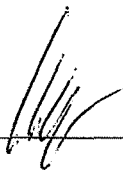
- (1) 列明物業的詳細地址，並在可能情況下，使用差餉物業估價署署長所編配的正式門牌號數。如屬新界的地盤或郊區物業，須提供約份和地段編號詳情，並請指明地盤所在和新批編號（如知悉的話）。
- (2) **個人資料收集聲明**
 - 你所提供的資料將用作本局執行稅務法例的有關事宜。
 - 本局可能會把部分資料交給法例授權可接收的其他人士。
 - 除《個人資料(私隱)條例》另訂的豁免外，你有權要求查閱或改正個人資料。
 - 查閱或改正個人資料的要求應以書面向印花稅署總監提出，其地址載於表格上，同時請註明你於本局的檔案號碼。

** Note:

- (1) Full address should be stated. Whenever possible, please use official building number(s) as allotted by the Commissioner of Rating and Valuation. For sites or rural properties in New Territories, D.D. and Lot No. details must be provided; please also specify the site area and New Grant No., if known.
- (2) **Personal Information Collection Statement**
 - The information provided by you will be used for purposes relating to the administration of tax laws in this Department.
 - This Department may give some of the information to other parties authorized by law to receive it.
 - Subject to exemptions under the Personal Data (Privacy) Ordinance, you have the right to request access to or correction of personal data.
 - A request for access to or correction of personal data should be addressed to the Superintendent of Stamp Office, whose address is shown on the form. Please also quote your file number in this Department.

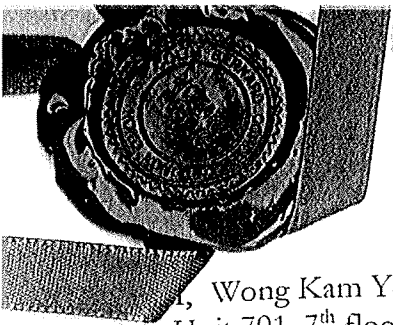


is Exhibit "SSS" mentioned and referred to in the Affidavit of
Stephen Gowan Chandler, sworn before me in the Hong Kong Special
Administrative Region of the People's Republic of China this 29th day
of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



DECLARATION

I, Wong Kam Yee, female, holder of Hong Kong Identity Card No. D152096(3), of Unit 701, 7th floor, Ka Wah Bank Centre, 232 Des Vouex Road Central, Hong Kong, solemnly and sincerely declare that:


1. I am conversant with the English and Chinese languages and have been translating documents from Chinese to English and English to Chinese since 1981. During this period I have translated many thousands of pages of documents some of which have been exhibited to affidavits for the purposes of legal proceedings in the Courts in Hong Kong and some of which have been in the form of reports or attachments to reports for Government authorities and law enforcement in Hong Kong and China.
2. I hereby certify that the attached documents marked "B" on the upper right hand corner is a true and correct English translation of the attached Chinese documents marked "A" on the upper right hand corner.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Ordinance.

Declared at Messrs. Boase Cohen &)
Collins, Rooms 2303-7, Dominion)
Centre, 43-59 Queen's Road East,)
Hong Kong, this 29th day of February)
2012:-

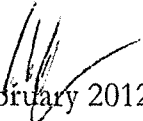
Wong Kam Yee

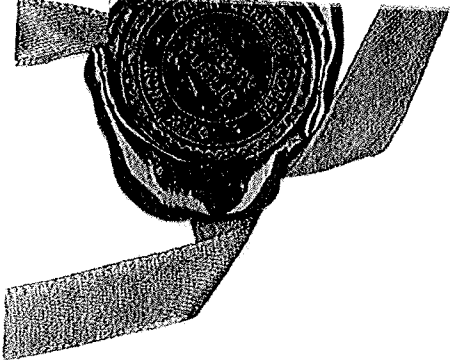
Before me,


COLIN BERNARD COHEN
 Notary Public, Hong Kong SAR
 2303-7 Dominion Centre
 43-59 Queen's Road East
 Wanchai, Hong Kong

I, COLIN BERNARD COHEN, Notary Public of Rooms 2303-7, Dominion Centre, 43-59 Queen's Road East, Hong Kong, certify that Wong Kam Yee came to me today and indicated to me that she is competent to translate the aforementioned documents from Chinese to English.

Signed this 29th day of February 2012.


COLIN BERNARD COHEN
 Notary Public, Hong Kong SAR
 2303-7 Dominion Centre
 43-59 Queen's Road East
 Wanchai, Hong Kong



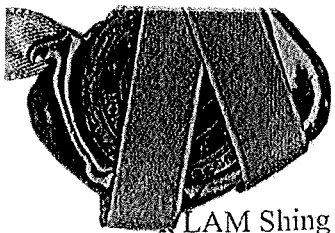
This is Exhibit "TTT" mentioned and referred to in the Affidavit of Stephen Gowan Chandler, sworn before me in the Hong Kong Special Administrative Region of the People's Republic of China this 29th day of February 2012.



A Notary Public

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

DECLARATION



LAM Shing Ming (林城明), male, holder of Hong Kong Identity Card G085965(5), of Diners Professional Translation Services Limited, Room 902, 9/F., Far East Consortium Bldg., 121 Des Voeux Road, Central, Hong Kong, solemnly and sincerely declare that:

- 1. I am conversant with the English and Chinese languages. I have a Masters of Arts in translation from the Chinese University of Hong Kong and I am a member of the Chartered Institute of Linguists.
- 2. I hereby certify that the attached documents marked "B" on the upper right hand corner is a true and correct English translation of the attached Chinese documents marked "A" on the upper right hand corner.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Ordinance.

Declared at Messrs. Boase Cohen & Collins,)
Rooms 2303-7, Dominion Centre, 43-59)
Queen's Road East, Hong Kong, this 29th)
day of February 2012:-)

Lam Shing Ming

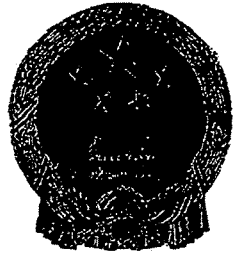
Before me,

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

I, COLIN BERNARD COHEN, Notary Public of Rooms 2303-7, Dominion Centre, 43-59 Queen's Road East, Hong Kong, certify that LAM Shing Ming came to me today and indicated to me that he is competent to translate the aforementioned documents from Chinese to English.

Signed this 29th day of February 2012.

COLIN BERNARD COHEN
Notary Public, Hong Kong SAR
2303-7 Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong



中华人民共和国外商投资企业

批准证书

外经贸 湛合资证字[19 94] 065 号



一九九四年一月二十八日

企业名称	中文	湛江雷州桉树资源发展有限公司	
	英文	ZHANJIANG LEIZHOU EUCALYPT RESOURCES DEVELOPMENT CO. LTD.	
企业地址	湛江市赤坎区康顺路31号康顺大厦		
企业类型	中外合资经营企业		
经营年限	30 年		
投资者名称 (中、英文) 和注册地 (国家或地区)	甲方:国营雷州林业局 中国 乙方:香港嘉汉木业集团有限公司 香港 SINO-WOOD PARTNERS,LIMITED		
投资总额	2500 万美元	注册资本	1000 万美元
投资者 出资额	甲方: 出资 470.00 万美元 出资比例 47.00% 乙方: 出资 530.00 万美元 出资比例 53.00%		
经营范围	营林、木材加工、木制品、林产化工产品生产与销售。产品50%外销。		

Copy

No. 0117909



Certificate of Approval for

Establishment of Foreign-Funded Enterprises in the

People's Republic of China

Wai Jing Mao Zhan He Zi Zheng Zi [1994] No. 065

[chopped: People's Government of Guangdong Province]

28 January 1994

Company name	Chinese	湛江雷州桉树资源发展有限公司	
	English	Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.	
Company address	Kangshun Building, 31 Kangshun Road, Chikan District, Zhanjiang City		
Type of company	Chinese-foreign joint venture		
Duration of operation	30 years		
Names of investors (in both Chinese and English) and registered addresses (country or region)	Party A: State-Owned Leizhou Forestry Bureau China Party B: Sino-Wood Partners, Limited, Hong Kong		
Total investment	US\$25 million	Registered capital	US\$10 million
Contribution made by the investors	Party A: contributed US\$4.7 million with a capital contribution ratio of 47.00% Party B: contributed US\$5.3 million with a capital contribution ratio of 53.00%		
Business scope	Silviculture, wood processing, production and sale of woodwork and forest chemical products; 50% of the products are for export.		

577

B

第一章 总 则

第一条：根据《中华人民共和国中外合资经营企业法》，中国广东国营雷州林业局（以下简称甲方）与香港嘉汉木业集团有限公司（以下简称乙方）于一九九三年十二月八日在中国湛江市签订的建立合资经营湛江雷州桉树资源发展有限公司（以下简称合营公司）合同，按照合同的内容制定本公司章程。

第二条：合营公司名称：湛江雷州桉树资源发展有限公司

合营公司法定地址：湛江市赤坎区康顺路31号康顺大厦

第三条：甲乙双方的名称、法定地址为：

甲方：国营雷州林业局

地址：广东省遂溪县城月镇

乙方：香港嘉汉木业集团有限公司

地址：香港湾仔港湾路30号新鸿基中心2408室

第四条：合营公司的组织形式为有限责任公司

第五条：合营公司为中国法人，受中国法律管辖和保护，其一切活动必须遵守中国的法律、法令、法规和有关条例规定。

第二章 宗旨、经营范围

第六条：合营公司宗旨为：

<1>、采用先进而适用的生产技术和科学的管理方法，充分和合理地开发桉树资源和其他林木资源，首期兴建大型中密度纤维板生产项目（以下简称MDF）；在创造经济效益的同时，利用甲方现有的先进的营林技术和合营公

司的资金优势，使林业资源得到有计划的改造更新，逐步扩大用材基地林建设，大幅度提高林木生长量；注意保护自然环境，在企业发展的同时，与自然保持协调、平衡、混然一体。

〈2〉、合营公司企业强化企管效能，以整体品质管理及ISO-9000为企管模式，努力提高产品质量和企业形象，并在质量和价格等方面具有国际市场竞争能力，出口创汇，提高经济效益，使双方都获得利益。

〈3〉、合营公司视用材林基地为绿色车间，力求不断发展、创新、勇于实践，在不断发展生产的同时，注重科研工作，建成集科研、营林和林产加工一体化的合资企业。

第七条：合营公司经营范围为：营林、木材加工、木制品、林产化工产品生产与经营。

第八条：合营公司生产规模为：年产5万立方米MDF，营造12万亩基地林，年产MDF用材8万M³。

随着生产经营的发展，生产规模可逐渐增加，产品向多种类、系列化方向发展。

第九条：合营公司的产品50%外销，50%内销。

第三章 投资总额和注册资本

第十条：合营公司的首期投资总额为2500万美元。

合营公司注册资本为1000万美元。

第十条：合营公司注册资本为1000万美元。

出资比例为：甲方认缴注册资本470万美元，占注册资本总额的47%，乙方认缴注册资本530万美元，占注册资本总额的53%。注册资本以外的资金仍由甲乙双方按各自出资比例投入。

第十一条：出资方式：甲乙双方包括注册资本在内的出资方式为：

甲方以5.3万亩林地使用权，作价462万美元，和其地上的林木资源，作价301万美元、林产工业总厂的资产估价128万美元及工厂生产和建设用

地152291 m²使用权作价273万美元四部分资产的总值和100万元人民币现金折11万美元, 合共1175万美元作为资金投入。乙方以现金出资1325万美元。19

甲乙双方的出资(或作为出资的实物), 在合营公司营业执照签发之日起, 二十四个月内投入完毕, 其中第一期在头三个月内投入15%以上。

第十二条: 双方出资额:

(1)、甲方: 首期按出资比例以实物资产价值共1175万美元(以认可会计师事务所的核定数为准)作资金投入转入合营公司中。在乙方投入建设MDF项目不足部分资金的同时, 甲方同期按出资比例以部分林地使用权及其地上的林木资源作价投入。

(2)、乙方: 首期按出资比例投入现金1325万美元, 主要用于MDF项目建设。建设MDF项目所需的资金, 除乙方首期投入的1325万美元外, 不足部分仍由乙方按项目建设需要以现金分期投入; 甲方按出资比例同期以林地使用权及其地上的林木资源作价投入。

第十三条: 出资时间:

双方首期的出资(或作为出资的实物)在合营公司营业执照签发及认可会计师事务所签发之甲方投资的资产核算报告之日起一个月内, 乙方投入现金100万美元, 甲方同时投入人民币100万元, 作为合营公司营运及筹建MDF项目之用。MDF项目建设的其余资金按MDF项目可行性研究报告的资金投入计划分期投入。

第十四条: 甲乙双方应按合同规定的期限缴清各自出资额(或作为出资的实物)。

第十五条: 甲乙双方缴付出出资额后, 合营公司聘请在中国注册的会计师事务所验资, 出具验资报告后, 由合营公司据以发给出资证明书。出资证明书主要内容是: 合营公司名称、成立日期、合资者名称及出资额、出资日期、发给出资证明书日期等。

第十六条: 合营期内, 合营公司不得减少注册资本数额

第十七条: 任何一方转让其出资额, 不论全部或部分都须经另一方同意, 一方转让时, 另一方有优先购买权。

合营公司注册资本的增加、转让，应由董事会一致通过后，并报原审批机构批准，向原登记机构办理变更登记手续。

20

A

581

第四章 董 事 会

第十八条：合营公司设董事会，董事会是合营公司的最高权力机构。

第十九条：董事会决定合营公司的一切重大事宜，其职权主要如下：

决定和批准总经理的重要报告（如生产规划、年度营业报告、资金、借款等）；

批准年度财务报告、收支预算、年度利润分配方案；

制定公司的重要规章制度；

决定聘用总经理、总工程师、总会计师、审计师等高级职员；

负责合营公司终止和期满时的清算工作；

其他应由董事会决定的重大事宜。

第二十条：董事会由七名董事组成，其中甲方委派三名，乙方委派四名，董事任期为3年，经委派可以连任。

第二十一条：董事会设董事长一名，由乙方委派，副董事长一名，由甲方委派。

第二十二条：甲、乙方在委派和更换董事人选时，应书面通知董事会。

第二十三条：董事会会议每年召开一次。经三分之一以上的董事提议，可以召开董事会临时会议。

第二十四条：董事会会议原则上在合营公司所在地举行。

第二十五条：董事会会议由董事长召集并主持，董事长缺席时由副董事长召集并主持。

第二十六条：董事长应在董事会开会前不少于两个星期以书面通知各董事，写明会议内容、时间和地点。

出席董事会会议的法定人数必须为全体董事的三分之二以上，否则，其通过的决议无效。

第二十七条：董事因故不能出席董事会议时，可以书面委托代理人出席董事会。如届时未出席也未委托他人出席，则作为弃权。

21

第二十八条：出席董事会会议，须作详细的书面记录，并由全体出席会议的董事签字，代理人出席时由代理人签字。记录文字使用中文，该记录由公司存档。

582

第三十条：下列事项须经出席董事会会议的董事一致通过方可作出决议。

1. 合营公司章程的修改；
2. 合营公司的终止、解散；
3. 合营公司注册资本的增加、转让；
4. 合营公司重大的经济活动如建设新项目，与其他经济组织的合并等。

第三十一条：其他事项采取过半数通过作出决议。

第五章 经营管理机构

第三十二条：合营公司设经营管理机构，下设若干管理部门。

第三十三条：合营公司设总经理一人，由甲方推荐，副总经理二人，由双方推荐。正副总经理由董事会聘请。

第三十四条：总经理直接对董事会负责，执行董事会的各项决议，组织领导合营公司的日常生产、技术和经营管理工作。副总经理协助总经理工作，当总经理不在时，代理行使总经理的职责。

第三十五条：总经理、副总经理的任期为3年。经董事会聘请，可以连任。

第三十六条：董事长或副董事长、董事经董事会聘请，可兼任合营公司总经理、副总经理及其他高级职员。

第三十七条：总经理、副总经理不得兼任其他经济组织的总经理或副总经理，不得参与其他经济组织对本合营公司的商业竞争行为。

第三十八条：合营公司设总工程师、总会计师和审计师各一名，由董事

25

会聘请。

第三十九条：总工程师、总会计师、审计师由总经理领导。

22

A

583

第四十条：总经理、副总经理、总工程师、总会计师、审计师和其他高级职员请求辞职时，应提前向董事会提出书面报告。

以上人员如有营私舞弊或严重失职行为的，经董事会决议，可随时解聘。如触犯刑律的，要依法追究刑事责任。

第六章 财务会计

第四十一条：合营公司的财务会计按照中华人民共和国财政部制定的有关财务会计制度规定办理。

第四十二条：合营公司会计年度采用日历年制，自一月一日起至十二月三十一日止为一个会计年度。

第四十三条：合营公司的一切凭证、帐簿、报表、用中文书写。

第四十四条：合营公司采用人民币为记帐本位币。人民币同其他货币折算，按中华人民共和国国家外汇管理局公布的汇价计算。

第四十五条：合营公司在中国银行或其他银行开立人民币及外币帐户。

第四十六条：合营公司采用国际通用的权责发生制和借贷记帐法记帐。

第四十七条：合营公司财务会计帐册上应记载如下内容：

1. 合营公司所有的现金收入、支出数量；
2. 合营公司所有的物资出售及购入情况；
3. 合营公司注册资本及负债情况；
4. 合营公司注册资本的缴纳时间、增加及转让情况。

第四十八条：合营公司财务部门应在每一个会计年度头二月编制上一个会计年度的资产负债表和损益计算书，经审计师审核签字后，提交董事会会议通过。

第四十九条：合营公司各方有权自费聘请审计师查阅合营公司帐簿，查

第七章 利润分配

第五十条：合营公司按照《中华人民共和国外商投资企业和外国企业所得税法》的规定，由董事会决定其固定资产的折旧年限。

第五十一条：合营公司的一切外汇事宜，按照《中华人民共和国外汇管理暂行条例》和有关规定办理。

第五十二条：合营公司从缴纳所得税后利润中提取储备基金、企业发展基金和职工奖励及福利基金。提取的比例由董事会根据当年的经营情况确定。

第五十三条：合营公司依法缴纳所得税和提取各项基金后的利润，按照甲方占47%，乙方占53%的比例进行分配。

第五十四条合营公司每年分配利润一次。于次年头二个月内公布上一会计年度利润分配方案及各应分的利润额。

第八章 职工

第五十六条：合营公司职工的招收、招聘、辞退、辞职、工资、福利、劳动保护、劳动纪律等事宜，按照《中华人民共和国中外合资经营劳动管理规定》及其实施办法办理。

第五十七条：合营公司所需要的职工，优先在甲方在职人员中公开招聘，或由当地劳动部门推荐或经劳动部门同意后，由合营公司公开招聘，择优录用。

第五十八条：合营公司招收的员工，一律实行合同制，由合营公司与员工签订劳动合同。

第五十九条：合营公司有权对违反合营公司的规章制度和劳动纪律的职

工，给予警告、记过、降薪的处分，情节严重的，可予以开除。对开除处分的职工须报甲方或当地劳动部门备案。

24

585

第六十条：职工的工资待遇，参照中国有关规定，根据合营公司具体情况，由董事会确定，并在劳动合同中具体规定。

合营公司随着生产的发展，职工业务能力和技术水平的提高，逐年增加职工的工资。

第六十一条：职工的福利、奖金、劳动保护，安全生产和保险等事宜，合营公司将分别在各项制度中加以规定，确保职工在正常条件下从事各项生产和工作。

第九章 工会组织

第六十二条：合营公司职工有权按照《中华人民共和国工会法》的规定，建立工会组织，开展工会活动。

第六十三条：合营公司每月按合营公司职工实际工资总额的百分之二拨交工会经费。合营公司工会按照中华全国总工会制定的《工会经费管理办法》使用工会经费。

第十章 期限、终止、清算

第六十四条：合营期限为30年。自营业执照签发之日起计算。

第六十五条：甲、乙方如一致同意延长合同期限，经董事会会议作出决议，应在合营期满前六个月向原审批机构提交书面申请，经批准后方能延长，并向原登记机构办理变更登记手续。

第六十六条：甲、乙方如一致认为终止合同符合各方最大利益时，可提前终止合同。

合营公司提前终止，需经董事会召开全体会议作出决定，并报原审批机

28

构批准。

第六十七条： 发生下情况之一时，甲、乙方任何一方有权依法终止合同。

- 1、合同期限届满，合资一方不同意续办时；
- 2、公司发生严重亏损，无力继续经营；
- 3、合资一方不履行合同规定的义务致使企业无法继续经营；
- 4、因自然灾害、战争等不可抗力遭受严重损失，无法继续经营；
- 5、企业未达到经营目的，同时又无发展前途。

第六十八条： 合营期满或提前终止合同时，董事会应提出清算程序、原则和清算委员会人选，组成清算委员会，对合营公司财产进行清算。原甲方作为出资提供的场地使用权、林地使用权不属清算范围，合营期满或提前终止合同时，无偿归甲方所有。

第六十九条： 清算委员会任务是对合营公司的财产、债权、债务进行全面清查，编制资产负债表和财产目录，制定清算方案，提请董事会通过执行。

第七十条： 清算期间，清算委员会代表公司起诉或应诉。

第七十一条： 清算费用和清算委员成员的酬劳从合营公司现存财产中先支出。

第七十二条： 清算委员会对合营公司的债务全部清偿后，其剩余的财产按甲乙双方在注册资本中的实际出资比例进行分配。

第七十三条： 清算结束后，合营公司应向审批机构提出报告，并向原登记机构办理注销登记手续，缴回营业执照，同时对外公布。

第七十四条： 合营公司结业后，其各种帐册，由甲方保存。

第十一章 规章制度

第七十五条： 合营公司董事会制定的规章制度有：

- 1、经营管理制度，包括所属各个管理部门的职权与工作程序；
- 2、职工守则；

- 3、职工考勤、升级与奖惩制度；
- 4、职工福利制度；
- 5、财务制度；
- 6、公司解散时的清算程序；
- 7、其他必要的规章制度。

26

第十二章 附 则


第七十三条： 本章程的修改，必须经董事会会议一致通过决议，并报原审批机构批准。

第七十四条： 本章程用中文书写。

第七十五条： 本章程须经中华人民共和国对外经济贸易部(或其委托的审批机构)批准才能生效。修改时间。

第七十六条： 本章程于一九九三年十二月八日由甲、乙双方的授权代表在中国广东省湛江市签字。

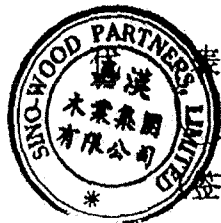
甲 方： 梧州林
 代 表： 林 东 瑞



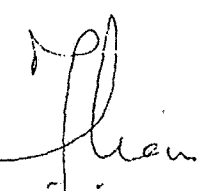
(签字、盖章)

乙 方：

嘉 汉
 木 業 集 團
 有 限 公 司



(签字、盖章)



Articles of Association
of
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.,
an Equity Joint Venture

Chapter 1 General Provisions

Article 1: These Articles of Association are formulated pursuant to *Law of the People's Republic of China on Chinese-Foreign Joint Ventures* and Contract for the Establishment of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. ("the Company"), an Equity Joint Venture, entered into by Guangdong State-Owned Leizhou Forestry Bureau ("Party A") and Sino-Wood Partners, Limited ("Party B") on 8 December 1993 in Zhanjiang, China.

Article 2: Name of the Joint Venture Company: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Legal address of the Joint Venture Company: Kangshun Building, 31
Kangshun Road, Chikan District, Zhanjiang

Article 3: Names and legal addresses of Party A and Party B:

Party A: State-Owned Leizhou Forestry Bureau

Address: Chengyue Town, Suixi County, Guangdong Province

Party B: Sino-Wood Partners, Limited

Address: Room 2408, Sun Hung Kai Centre, 30 Harbour Road, Wanchai,
Hong Kong

Article 4: The Joint Venture Company is a limited-liability company.

Article 5: The Joint Venture Company is a PRC legal person which shall be governed and protected by PRC laws and all its activities shall comply with the PRC laws, statutes and relevant regulations.

Chapter 2 Objective and Scope of Business

Article 6: The objectives of the Joint Venture Company are:

(1). Establishing large-scale medium density fibreboard production project (MDF) in the first phase by fully and reasonably developing eucalypts and other trees with advanced and applicable production technology and scientific management; while creating economic benefits, trying to upgrade forest resources in a planned manner, gradually expand construction of forests in timber base and substantially improve the growth of forest trees with Party A's existing advanced silviculture technology and the Joint Venture Company's capital strength; paying attention to environmental protection and ensuring that the Joint Venture Company is developing in harmony with nature.

(2). Strengthening the management effectiveness of the Joint Venture Company, taking total quality management (TQM) and ISO-9000 as the Joint Venture Company's management model, striving to improve product quality and corporate image, becoming competitive in the international market in terms of quality and price, earning foreign exchange and increasing profitability, so as to benefit both Parties.

(3). The Joint Venture Company regards the timber base as a green workshop, seeks constant development and innovation, is bold in practice, attaches equal importance to production and scientific research, and integrates scientific research, silviculture and forest products processing.

Article 7: Business scope of the Joint Venture Company: Silviculture, wood processing, production and sale of woodwork and forest chemical products.

Article 8: Production scale of the Joint Venture Company: Annual output of 50,000 m³ MDF and 80,000 m³ MDF timber, and 120,000 mu forest base.

Following the development of the Joint Venture Company, it may gradually expand the production scale and diversify and launch different series of products.

Article 9: The products of the Joint Venture Company are sold in equal proportion on domestic and overseas markets.

Chapter 3 Total Investment and Registered Capital

Article 10: The initial total investment of the Joint Venture Company is US\$25 million.

The registered capital of the Joint Venture Company is US\$10 million.

Article 10: The registered capital of the Joint Venture Company is US\$10 million.

The ratio of capital contribution is: Party A shall contribute US\$4.7 million, accounting for 47% of the total registered capital; Party B shall contribute US\$5.3 million, accounting for 53% of the total registered capital. Funds other than the registered capital shall be invested by Party A and Party B in proportion to their respective contributions.

Article 11: Form of capital contribution: Forms of capital contribution including registered capital contribution made by Party A and Party B are:

Party A shall contribute a total of US\$11.75 million, consisting of the total value of the right to use 53,000 mu woodland valued at US\$4.62 million, the forest resources on the said land valued at US\$3.01 million, assets of the forest product industry factory valued at US\$1.28 million and the right to use the 152,291 m² land for factory production and construction valued at US\$2.73 million as well as RMB1 million cash (US\$110,000). Party B shall contribute US\$13.25 million in cash.

Party A and Party B shall complete their capital contributions (or contribution in kind) within 24 months after issuance of the business licence, with more than 15% to be paid up in the first three months for the first phase.

Article 12: Respective contributions made by the Parties:

(1). Party A shall invest a total of US\$11.75 million (the amount shall be subject to verification by an authorised accounting firm) in kind in the Joint Venture Company in the first phase in accordance with its ratio of capital contribution. As Party B makes up the funds for MDF project, Party A shall invest part of its right to use the woodland and the forest resources on it, which are valued as agreed, in accordance with its ratio of capital contribution.

(2). Party B shall invest US\$13.25 million in cash in the MDF project in

accordance with its ratio of capital contribution in the first phase. In regard to the funds needed for MDF project, besides the US\$13.25 million invested by Party B in the first phase, the insufficiencies shall be made up by Party B with cash by instalments based on actual needs. Party A shall invest its right to use woodland and the forest resources on it, which are valued as agreed, in accordance with its ratio of capital contribution in the same phase.

Article 13: Schedule of capital contribution

As for the capital contribution (or contribution in kind) in the first phase, Party B shall invest US\$1.00 million in cash and Party A shall invest RMB1.00 million for the operation of the Joint Venture Company and MDF project planning within one month from the date of issuance of the business licence of the Joint Venture Company and issuance of the asset accounting report on Party A's investment by an authorised accounting firm. The remaining funds needed for MDF project shall be invested by instalments in accordance with the investment plan based on the feasibility study report of MDF project.

Article 14: Parties A and B shall pay up their respective capital contribution (or contribution in kind) in full according to the time limit specified in the Contract.

Article 15: After Parties A and B have paid up their capital contribution in full, the Joint Venture Company shall retain a certified public accountant registered in China to verify the capital and issue a capital verification report, based on which the Joint Venture Company shall issue a capital contribution certificate, whose main contents include: Name of the Joint Venture Company, date of establishment, names of investors and their amount of capital contribution, date of capital contribution, and date of issuance of capital contribution certificate, etc.

Article 16: During the term of the joint venture, the Joint Venture Company shall not reduce the amount of its registered capital.

Article 17: If a party transfers its capital contribution, whether in part or in whole, it shall be subject to the consent of the other party. When a party makes such a transfer, the other party shall have the pre-emptive right of purchase.

Increase or transfer of registered capital of the Joint Venture Company shall be subject to the unanimous adoption of the Board of Directors and approval by the

original examination and approval authority, and the Joint Venture Company shall process the formalities of registration of change with the original registration authority.

Chapter 4 Board of Directors

Article 18: The Joint Venture Company shall have a Board of Directors which shall be the highest authority of the Joint Venture Company.

Article 19: The Board of Directors makes decisions on all major issues of the Joint Venture Company, and its duties and functions are as follows:

- decide on and approve important reports submitted by the general manager (such as production planning, annual business report, capital, borrowings, etc.);
- approve the annual financial report, income and expense budget, and annual profit distribution scheme;
- formulate important regulations and systems of the Company;
- decide the appointment of senior officers such as general manager, chief engineer, chief accountant, auditor, etc.
- take charge of the liquidation work of the Joint Venture Company upon its termination and expiration;
- other important matters which shall be decided by the Board of Directors.

Article 20: The Board of Directors shall be composed of seven directors. Three of the directors shall be appointed by Party A and four of the directors by Party B. The term of office of the directors shall be 3 years and is renewable upon re-appointment.

Article 21: The Board of Directors shall have a chairman appointed by Party B and a vice-chairman appointed by Party A.

Article 22: When appointing or replacing candidates of directors, Party A and Party B shall inform the Board of Directors in writing.

Article 23: Meetings of the Board of Directors shall be held once a year. Upon

the proposal of more than one-third of the directors, interim meetings may be convened.

Article 24: In principle, meetings of the Board of Directors shall be held in the domicile of the Joint Venture Company.

Article 25: Meetings of the Board of Directors shall be called and presided over by the chairman. During the absence of the chairman, the meetings shall be called and presided over by the vice-chairman.

Article 26: The chairman shall inform all the directors in writing of the agenda, time, and venue of the board meeting at least 2 weeks prior to the meeting.

A quorum of the board meeting shall be constituted when over two-thirds of all the directors are present at the meeting. Otherwise, the resolutions passed shall be null and void.

Article 27: Should a director be unable to attend a Board meeting for any reason, he may authorize in writing a proxy to attend the meeting. If a director does not attend a Board meeting and fails to appoint a proxy to attend on his behalf, he shall be deemed to have forfeited his rights.

Article 28: Detailed minutes shall be recorded in writing for Board meetings and shall be signed by all the attending directors; and if the meeting is attended by a proxy, the minutes shall be signed by the proxy. The minutes shall be recorded in Chinese and shall be kept by the Company.

Article 30: Resolutions on the following issues shall only be made subject to the unanimous adoption by the directors attending a Board Meeting:

1. Amendments to the Articles of Association of the Joint Venture Company;
2. Termination and dissolution of the Joint Venture Company;
3. Increase and transfer of the registered capital of the Joint Venture Company;
4. Important economic activities of the Joint Venture Company such as constructing a new project and merger with other economic entities.

Article 31 Resolutions on other matters may be adopted by simple majority.

Chapter 5 Business Management Organisation

Article 32: The Joint Venture Company shall set up a business management organisation which has several management departments thereunder.

Article 33: The Joint Venture Company shall have a general manager who is nominated by Party A and two deputy general managers who are nominated by both Parties. Both the general manager and two deputy general managers shall be appointed by the Board of Directors.

Article 34: The general manager shall be accountable to the Board of Directors directly and execute the various resolutions of the Board of Directors, organise and lead the day-to-day production, technical and operation management work of the Joint Venture Company. The deputy general managers shall assist the general manager in his duties. During the absence of the general manager, the deputy general managers shall exercise the general manager's duties on his behalf.

Article 35: The term of office of the general manager and deputy general managers shall be 3 years and is renewable upon re-appointment.

Article 36: Upon appointment by the Board of Directors, the chairman and vice-chairman of the board may concurrently serve as the general manager, deputy general managers, and other senior officers of the Joint Venture Company.

Article 37: The general manager and deputy general managers shall not serve concurrently as general manager or deputy general manager of other economic entities and shall not participate in other economic entities' acts of commercial competition against the Joint Venture Company.

Article 38: The Joint Venture Company shall have a chief engineer, chief accountant, and auditor, who shall be appointed by the Board of Directors.

Article 39: The chief engineer, chief accountant, and auditor shall be under the leadership of the general manager.

Article 40: When the general manager, deputy general managers, chief engineer, chief accountant, auditor, and other senior officers tender resignations, a written report shall be submitted to the Board of Directors in advance.

Where any of the aforesaid individuals conducts graft or commits serious dereliction of duty, they may be dismissed at any time upon resolution of the Board of Directors. In case of violation of the criminal law, they shall be investigated for criminal responsibility according to law.

Chapter 6 Finance and Accounting

Article 41: The Joint Venture Company's financial and accounting system shall be handled in accordance with the provisions of the relevant financial and accounting system formulated by the Ministry of Finance of the People's Republic of China.

Article 42: The accounting year of the Company shall follow the Gregorian calendar year system, i.e. an accounting year starts from 1 January and ends on 31 December.

Article 43: All vouchers, accounting books and statements of the Joint Venture Company shall be written in Chinese.

Article 44: The Joint Venture Company shall use Renminbi as the currency for accounting entries. Conversion between Renminbi and other currencies shall be based on the exchange rate announced by State Administration of Foreign Exchange of the People's Republic of China.

Article 45: The Joint Venture Company shall open a Renminbi account and foreign currency account with the Bank of China or any other bank.

Article 46: The Joint Venture Company shall adopt the internationally and generally accepted accrual basis and debit/credit bookkeeping method.

Article 47: The financial and accounting books of the Joint Venture Company shall record the following contents:

1. All cash revenues and expenses of the Joint Venture Company;
2. All material purchases and sales of the Joint Venture Company;
3. The Joint Venture Company's registered capital and liabilities;
4. The date of contribution, increase and transfer of the registered capital of the Joint Venture Company;

Article 48: The Finance Department of the Joint Venture Company shall

prepare the balance sheet and income statement of the preceding accounting year during the first two months of every accounting year, which shall be submitted to the Board of Directors for approval in the board meeting.

Article 49: Both parties to the Joint Venture Company shall have the right to, at their own expense, hire auditors to inspect the accounting books of the Joint Venture Company. The Joint Venture Company shall provide convenience at the time of inspection.

Chapter 7 Profit Distribution

Article 50: The Joint Venture Company shall comply with the provisions of the the *Profit Tax Law of the People's Republic of China for Foreign-Funded Enterprises and Foreign Enterprises* and let the Board of Directors decide the depreciation term of its fixed assets.

Article 51: The handling of all foreign exchange matters of the Joint Venture Company shall be handled in accordance with the *Foreign Exchange Control Regulations of the People's Republic of China* and its relevant stipulations.

Article 52: The Joint Venture Company shall withdraw from the after-tax profits to provide funding for the reserve fund, enterprise development fund, staff bonus and welfare fund. The withdrawal ratio shall be determined by the Board of Directors according to the business conditions of the prevailing year.

Article 53: After the Joint Venture Company has paid the profit tax according to law and withdrawn the various funds, the remaining profit shall be distributed according to the ratio of: 47% for Party A and 53% for Party B.

Article 54: The Joint Venture Company shall distribute profits once a year. It shall announce the profit distribution scheme for the previous accounting year and the profit amount distributable to the Parties within the first two months of the following year.

Chapter 8 Employees

Article 56: Recruitment, employment, dismissal, resignation, wages, welfares, labour protection, labour discipline, etc. of the employees of the Joint Venture Company shall comply with the *Labour Management Provisions for Chinese-Foreign Equity Joint Ventures of the People's Republic of China* and its implementation measures.

Article 57: Employees required for the Joint Venture Company may be recruited openly first among the existing staff members of Party A. Alternatively, the same may be recommended by the local labour department or, subject to the consent of the labour department, recruited openly by the Joint Venture Company by selecting the best and qualified candidates.

Article 58: Employees recruited by the Joint Venture Company shall all follow the contract system in which the Joint Venture Company shall sign employment contracts with the employees.

Article 59: The Joint Venture Company shall have the right to impose disciplinary actions on employees who have violated the regulations and labour disciplines of the Joint Venture Company, giving them warnings, recording their demerits, and reducing their salaries. Such employees may be dismissed in case of serious offences. Dismissal of employees shall be reported to Party A or the local labour department for record.

Article 60: The wages and remuneration of employees shall be decided by the Board of Directors with reference to the relevant stipulations of the People's Republic of China and in consideration of the relevant conditions of the Joint Venture Company, and shall be specified in the employment contract accordingly.

Following the development of production and operation of the Joint Venture Company and the enhancement of the employees' business abilities and technical level, the Joint Venture Company shall increase the employees' wages on a yearly basis.

Article 61: Issues such as employees' welfare, bonus, labour protection,

occupational safety, and insurance shall be stipulated respectively in the various systems of the Joint Venture Company so as to ensure that the employees are engaged in production and working under normal conditions.

Chapter 9 Trade Union Organization

Article 62: Employees of the Joint Venture Company shall have the right to set up a trade union organization and launch trade union activities as stipulated in the *Laws on Trade Unions of the People's Republic of China*.

Article 63: The Joint Venture Company shall appropriate a monthly amount equivalent to 2% of the actual total wages of the employees for the expenditure for the trade union. The trade union of the Joint Venture Company shall make use of the said funding according to the *Measures for the Administration of Trade Union Expenditures* formulated by the China National Trade Union Federation.

Chapter 10 Term, Termination, and Liquidation

Article 64: The joint venture term shall be 30 years, commencing from the date of issuance of the Business License.

Article 65: If Party A and Party B both agree to extend the term of operation, subject to the decision of the Board of Directors by resolution, the term of the Joint Venture Company may be extended by submitting an application to the original examination and approval authority within six months prior to the expiry of the joint venture term. The extension shall be subject to the said approval and the formalities for the registration of alteration shall be completed with the original examination and approval authority.

Article 66: In the event that Party A and Party B unanimously believe that it is in the best interests of both Parties to terminate this Contract, this Contract may be terminated early.

The early termination of the Joint Venture Company shall be subject to the

decision of all the directors in a meeting of the Board of Directors, and shall be reported to the original examination and approval authority for approval.

Article 67: If any of the following circumstances occurs, either Party A or Party B shall have the right to terminate this Contract pursuant to law:

1. The term of this Contract expires and either of the joint venture parties does not agree to continue the operation;
2. The Company has incurred serious losses and is unable to continue operation;
3. Either party to the joint venture fails to perform the obligations stipulated in this Contract, making it impossible for the enterprise to continue operation;
4. Heavy losses have been suffered as a result of natural calamities, wars or other force majeure, making it impossible to continue operation;
5. The enterprise fails to reach its business objectives and there are no prospects for development.

Article 68: When the term of the joint venture expires or is terminated prematurely, the board of directors shall propose the procedures and principles of liquidation and the candidates of the liquidation committee, and form a liquidation committee to liquidate the property of the Joint Venture Company. The land use right and the right to use the forest land concerned originally contributed by Party A as investment shall be beyond the scope of liquidation, and shall be turned over to Party A without consideration upon expiry or premature termination of the term of the joint venture.

Article 69: The tasks of the liquidation committee are to take comprehensive inventory of all property, claims, and debts of the Joint Venture Company, prepare a balance sheet and a catalogue of property, and formulate a liquidation plan for submission to the board of directors for adoption and implementation.

Article 70: During the liquidation, the liquidation committee shall sue and shall be sued on behalf of the Company.

Article 71: The costs of liquidation and the remuneration of the liquidation committee members shall be paid out of the existing property of the Joint Venture Company.

Article 72: After full settlement of the debts of the Joint Venture Company by the liquidation committee, the remaining property shall be distributed between Party A and Party B in proportion to their respective actual contributions to the registered capital.

Article 73: Upon completion of the liquidation, the Joint Venture Company shall submit a report to the examination and approval authority, go through the procedure for cancellation of registration with the original examination and approval authority, surrender its business license, and also make a public announcement thereof.

Article 74: After closure of the Joint Venture Company, all of its accounting books shall be retained by Party A.

Chapter 11 Rules and Regulations

Article 75: The rules and regulations formulated by the Joint Venture Company include the following:

1. Operation and management system, which includes the duties, power and work procedures of the various management departments thereunder;
2. Rules for the employees;
3. Employees' punctuality, attendance, promotion, incentive and penalty systems;
4. Employees' welfare system;
5. Financial system;
6. Liquidation procedures upon the dissolution of the Company;
7. Other required rules and regulations.

Chapter 12 Supplementary Provisions

Article 73: Amendments to these Articles of Association shall be subject to the unanimous adoption by the Board of Directors by way of resolution and submitted to the original examination and approval authority for approval.

Article 74: These Articles of Association shall be written in the Chinese language.

Article 75: These Articles of Association shall take effect only after approval by the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry). The same approval is required in case of amendments.

Article 76: These Articles of Association were signed by the legal representatives of Party A and Party B on 8 December 1993 in Zhangjiang, Guangdong Province, China.

Party A:

**[chopped: State-Owned Leizhou
Forestry Bureau China]**

Representative: *[signed]*

(Signature, Chop)

Party B:

**[chopped: Sino-Wood Partners,
Limited]**

Representative: *[signed]*

(Signature, Chop)

湛江市对外经济贸易委员会文件

湛外经贸资批字 [1999] 88号

关于初步同意湛江雷州桉树资源发展有限公司 调减投资总额和注册资本的复函

湛江雷州桉树资源发展有限公司：

你公司的申请及董事会决议收悉。鉴于你公司的实际情况，经研究，我委初步同意你公司总投资额由2500万美元减至200万美元，注册资本由1000万美元减至140万美元。请你公司在收到本文之日起10日内通知债权人，并于30日内在省级以上报纸上至少公告3次。之后，再将你公司的公告证明和债务清偿或债务担保情况有关资料提交我委，我委再决定批准或不批准。

特此函复



一九九九年十二月二十八日

抄送：本委外资管理科

Document of Zhanjiang Committee of Foreign Trade and Economic Cooperation

Zhan Wai Jing Mao Zi Pi Zi [1999] No. 88

Reply concerning preliminary approval on reduction of total investment and registered capital of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.:

We have received your application and resolutions of board of directors. Given the actual conditions of your company and after deliberation, we preliminarily allow your company to reduce the total investment from US\$25 million to US\$2.00 million and reduce the registered capital from US\$10 million to US\$1.40 million. After you receive this document, please inform the creditor within 10 days and make public announcements on newspapers above provincial level for at least three times within 30 days. Thereafter, we shall decide whether to approve or not after receiving your company's announcement certificate and relevant data on debt paying or debt assurance.

Best regards

[chopped: Zhanjiang Committee of Foreign
Trade and Economic Cooperation]

28 December 1999

Cc: Foreign Capital Management Department of the Committee

中华人民共和国

企业法人

营业执照

(副本)

注册号：企独粤湛总副字第000571号

今后每年1月1日至4月30日年检
请按时参加，不再另行通知。

该企业经核准登记注册，具有
法人资格，准予开业。

编号: No 808802

企业名称 (中文) 湛江雷州桉树资源发展有限公司
(外文)

住所 湛江市海滨五路159号

企业类型 独资经营 (港资)

经营范围 营林、木材加工、木制品、林产化工产品生产与经营。

注册资本 140万美元

董事长 陈德源

副董事长

总经理 潘家杰

副总经理 陈惠玲

分支机构

经营期限 自一九九四年一月二十九日至二〇二四年一月二十八日

执照正本有效期至 自二〇〇〇年四月十二日至二〇二四年一月二十八日

中华人民共和国
国家工商行政管理局

局长

王公厚



二〇〇〇年
四月十二日

本副本有效期至

二〇〇〇年 四月 十一日

Business Licence of
Enterprise Legal Person
of the People's Republic of China
(Copy)

Registration No.: **Qi Du Yue Zhan Zong Fu Zi No. 000571**

This Business License shall be subject to annual inspection
from 1 January to 30 April each year without further notice.

The enterprise shall have the qualification of a
legal person and be allowed to operate business upon
approval and registration.

No. 808802

Company name	(Chinese) 湛江雷州桉树资源发展有限公司 (English) Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.
Address	159 Fifth Haidian Road, Zhanjiang
Type of business	Solely funded (with Hong Kong investment)
Business scope	Silviculture, wood processing, production and sale of woodwork and forest chemical products
Registered capital	US\$1.40 million
Chairman	Chen Deyuan
Vice Chairman	
General Manager	Pan Jiajie
Deputy General Manager	Chen Huiling
Branches	

Operation term: From 29 January 1994 to 28 January 2024

Validity period of the original business licence: From 12 April 2000 to 28
January 2024

Wang Zhongfu, Director of State Administration for
Industry & Commerce of the People's Republic of China

[chopped: State Administration for Industry &
Commerce of the People's Republic of China]
12 April 2000

This Copy shall be valid until 11 April 2001

雷州資源發展有限公司董事會決議

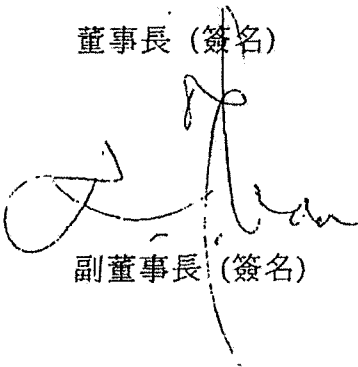
一九九八年六月三日

8

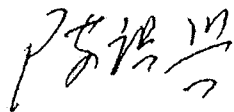
✓ 鑒於目前的實際情況，全體董事一致同意，國營雷州林業局退出雷州資源發展有限公司。同時全體董事一致同意下列各項決議：

1. 把雷州林業局原已折價投入“雷州資源發展有限公司”的資產全部退回給雷州林業局。合資公司由香港嘉漢木業有限公司獨資經營或另找合作伙伴。
2. 雷州林業局所欠合資公司的款項，由雷州林業局作出還款計劃還給合資公司。
3. 中方參予合資公司的工作人員，原則上都回原單位工作。
4. 合資公司工作人員的工薪，計算到一九九八年五月底止。
5. 本決議報經原審批機構批准後合資公司的債權、債務及公司開辦以來的一切費用與退出單位雷州林業局無關，由合資公司負責。

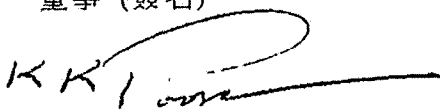
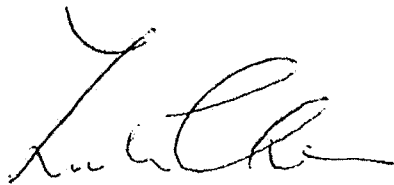
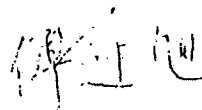
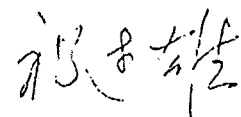
董事長 (簽名)



副董事長 (簽名)



董事 (簽名)


**Resolutions of Board of Directors of
Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.**

3 June 1998

Given the actual current situation, all directors unanimously agree on State-Owned Leizhou Forestry Bureau's withdrawal from Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. Meanwhile, all directors unanimously agree on the following resolutions:

1. Returning to Leizhou Forestry Bureau the assets (converted into an agreed monetary sum) invested in "Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd." by Leizhou Forestry Bureau. The Joint Venture Company may be solely operated by Sino-Wood Partners, Limited or operated with another partner.
2. Leizhou Forestry Bureau shall return the monies it owes the Joint Venture Company to the Joint Venture Company in a planned manner.
3. Workers of the Chinese party who works at the Joint Venture Company shall in principle go back to their original posts.
4. Salaries of workers in the Joint Venture Company shall not be calculated after the end of May 1998.
5. After these resolutions are approved by the original examination and approval authority, the creditor's rights, debts of the Joint Venture Company and all expenses incurred after the company's establishment shall have nothing to do with Leizhou Forestry Bureau (which has withdrawn from the joint venture) and shall be borne by the Joint Venture Company.

Signature of Chairman

[signed]

Signature of Vice-Chairman

[signed]

Signatures of directors

[5 signatures]

粤西会验字[1995]185号

验资报告

湛江雷州桉树资源发展有限公司:

粤西会计师事务所接受贵单位的委托,根据《中华人民共和国合资经营企业法》、《中华人民共和国外商投资企业财务管理规定》等规定,以及湛江市对外经济贸易委员会湛经贸批字[1994]021号文关于合资经营“湛江雷州桉树资源发展有限公司”章程第二章第十、十一条,并按照《注册会计师验资规则(试行)》的规定,检查验证了湛江雷州桉树资源发展有限公司截止至一九九五年十月三十一日止的所有者权益及相关的资产与负债。

经检查验证后确认,湛江雷州桉树资源发展有限公司截止至一九九五年十月三十一日的投入资本额:人民币95,481,503.29元,美金1,000,000.00元,外币汇率(1:8.6993),折合人民币

8,699,300元。投入资本总额人民币104,180,803.29元，留存收益人民币-8,709,107.28元，因此贵公司所有者权益总额为：人民币玖仟伍佰肆拾柒万壹仟陆佰玖拾陆元零壹分。

根据合资经营“湛江雷州桉树资源发展有限公司合同书”第五章第十、十一条规定：国营雷州林业局（甲方）应投资1175万美元，占投资总额的47%。

嘉汉木业集团有限公司（乙方）应投资1325万美元，占投资总额的53%。

实际投资：

甲方投资95,481,503.29元，折合美金11,640,000元，占投资总额的46.56%。

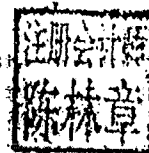
乙方投入美金1,000,000元，折合人民币8,699,300元，占投资总额的0.04%。

企业所有者与所有者权益有关的资产总额为：人民币95,528,198.10元，负债总额为人民币56,502.09元。有关具体情况，见本报告所附的截至一九九五年十月三十一日《所有者权益和资产、负债验证表》及《所有者权益和资产、负债验证过程表》。

粤西会计师事务所



注册会计师：



地址：湛江市霞山岭南路四号

一九九五年十一月十六日

所有者权益和资产、负债验证表

1995年10月31日

货币单位:人民币元

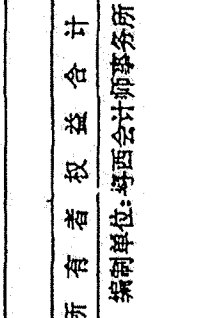
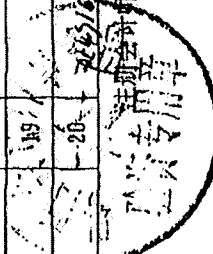
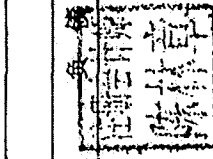
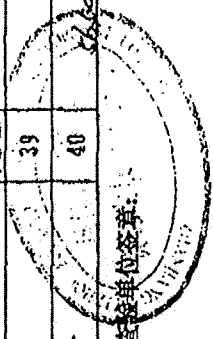
粤西会验一表

被验证单位名称: 湛江粤西林业有限公司

项 目	行次	确 认 数	项 目	行次	确 认 数
所有者权益(注册资本)	1		资产	21	
投入资金(资本)	2		流动资产	22	
中方(甲方)	3	8,448,103.09	货币资金	23	6,815,916.16
外方(乙方)	4	8,699,300.00	应收及预付款	24	2,746,596.68
	5		存货	25	9,000.00
	6		其他流动资产	26	5,308,206.49
	7		流动资产合计	27	8,703,014.32
	8		专项资产	28	
	9		长期投资	29	
	10		固定资产	30	10,338,816.73
	11		在建工程	31	
	12		无形资产及其他资产	32	76,487,336.05
积累基金	13		资 产 合 计	33	95,528,198.10
权益类基金	14		负 债	34	
未分配利润(权益部分)	15	-8,709,107.08	流动负债	35	56,002.09
	16		其中: 负债类基金	36	
	17		未分配利润(负债部分)	37	
	18		长期负债	38	
	19			39	
所 有 者 权 益 合 计	20	7,638,996.01	合 计	40	95,528,198.10

编制单位: 粤西会计师事务所

被验证单位签章:



粤西会验二表

被验资单位名称：港信网络资源发展有限公司

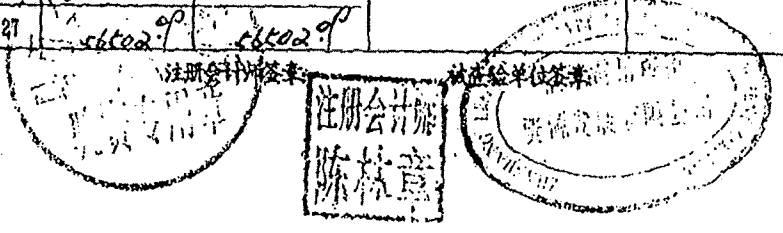
货币单位：人民币元

项 目	行 次	编 报 数	确 认 数			检验计算和确认 过程说明
			金 额	合同规定比例	实际比例	
投入资金(资本)	1					
实收资本——中方(甲方)	2	PC481503.4P	PC481503.4P	47	46.56	
外方(乙方)	3	8699300-	8699300-	53	0.24	
	4					
	5					
合 计	6	104180803.4P	104180803.4P	100	46.6	
积累基金	7					
权益类基金	8					
储蓄基金	9					
企业发展基金	10					
未分配利润(权益部分)	11	-8209107.48	-8209107.48			
所有者权益合计	12	PC471696.01	PC471696.01			
资 产	流 动 资 产	货币资金	13	618158.16	618158.16	
		应收及预付款	14	2746690.68	2746690.68	
		存 货	15	0.00	0.00	
		其他流动资产	16	4328296.48	4328296.48	
		流动资产合计	17	8702844.32	8702844.32	
	专 项 资 产	长期投资	18			
		固定资产	19	10338816.73	10338816.73	
		在建工程	20			
		无形资产及其他资产	21	76487336.05	76487336.05	
	资 产 合 计	22	PC228198.10	PC228198.10		
负 债	流动负债	23	66502.09	66502.09		
	其中：负债类基金	24				
	未分配利润	25				
	长期负债	26				
	负 债 合 计	27	66502.09	66502.09		

编制单位：粤西会计师事务所

注册会计师：陈林章

被验资单位名称：港信网络资源发展有限公司



Yuexi Certified Public Accountants

Yue Xi Kuai Yan Zi [1995] No. 185

Capital Verification Report

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

As entrusted by your company, Yuexi Certified Public Accountants has checked and verified owner's equity and relevant assets and liabilities as of 31 October 1995 of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. in accordance with *Law of the People's Republic of China on Chinese-Foreign Joint Ventures*, *Regulations of the People's Republic of China on Financial Management of Enterprises with Foreign Investment*, Document Zhan Jing Mao Pi Zi (1994) No. 021 of Zhanjiang Committee of Foreign Trade and Economic Cooperation concerning Articles 10-11 of Chapter 2 of Articles of Association of "Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.", an Equity Joint Venture, and *Capital Verification Rules for Certified Public Accountants (Trial)*.

After check and verification, it is confirmed that the amount of capital invested by Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. as of 31 October 1995 is: RMB95,481,503.29; US\$1,000,000.00, which is equivalent to RMB8,699,300 (foreign currency exchange rate: 1:8.6993). The total capital invested is RMB104,180,803.29 and the retained earnings is RMB-8,709,107.28. So the total owner's equity of your company is: ninety five million four hundred and seventy one thousand six hundred and ninety six yuan and one cent.

According to the stipulations of Articles 10-11 of Chapter 5 of the

Contract for the Establishment of Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd., an Equity Joint Venture, State-Owned Leizhou Forestry Bureau (Party A) shall invest US\$11.75 million, accounting for 47% of the total investment.

Sino-Wood Partners, Limited (Party B) shall invest US\$13.25 million, accounting for 53% of the total investment.

Actual investment:

Party A has invested RMB95,481,503.29, equivalent to US\$11,640,000 and accounting for 46.56% of the total investment.

Party B has invested US\$1,000,000, equivalent to RMB8,699,300 and accounting for 0.04% of the total investment.

Total assets related to owner's equity of the owner of the company are: RMB95,528,198.10; and the total liabilities are RMB56,502.09. For details, please refer to the attached *Verification of Owner's Equity, Assets and Liabilities* and *Verification Process of Owner's Equity, Assets and Liabilities* as of 31 October 1995.

Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants
Special Chop for Capital Verification]

Certified Public Accountant:
[chopped:
Certified Public Accountant
Chen Lin]

Address: 4 Lingnan Road, Xiashan
District, Zhanjiang

16 November 1995

Verification of Owner's Equity, Assets and Liabilities

31 October 1995

Yue Xi Kuai Yan Table 1

Name of the company inspected:

Currency unit: RMB

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Item	Line	Numbers confirmed	Item	Line	Numbers confirmed
Owner's equity (registered capital: US\$10 million)	1		Assets	21	
Invested funds (capital)	2		Current Assets	22	
The Chinese party (Party A): <i>State-Owned Leizhou Forestry Bureau</i>	3	95,481,503.29	Monetary Fund	23	618,158.16
The foreign party (Party B): <i>Sino-Wood Partners, Limited</i>	4	8,699,300.00	Receivables and prepayments	24	2,746,590.68
	5		Inventory	25	9,000.00
	6		Other current assets	26	5,328,296.48
	7		Total of Current Assets	27	8,702,945.32
	8		Special assets	28	
	9		Long-Term Investment	29	
	10		Fixed Assets	30	10,338,816.73
	11		Projects under Construction	31	
	12		Intangible Assets and Other Assets	32	76,487,336.05
Accumulated funds	13		Total Assets	33	95,528,198.10
Equity funds	14		Liabilities	34	
Undistributed profits (equity)	15	- 8,709,107.28	Current Liabilities	35	56,502.09
	16		Including: liabilities-type funds	36	
	17		Undistributed Profits(Liabilities Parts)	37	
	18		Long-Term Liabilities	38	
	19			39	
Total of owner's equity	20	71,471,696.01	Total of Liabilities	40	56,502.09

Prepared by: Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants
Special Chop for Capital Verification]

Signature and seal of certified public accountant:
[chopped:
Certified Public Accountant
Chen Lin]

Signature and seal of the company inspected:
[chopped]

Verification Process of Owner's Equity, Assets and Liabilities

31 October 1995

Yue Xi Kuai Yan Table 2 Name of the company inspected:

Currency unit:

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. RMB

Item	Line	Numbers reported	Numbers confirmed			Explanation of calculation and confirmation
			Amount	Percentage specified in the contract	Actual percentage	
Paid-Up Capital (Capital)	1					
Actual Receipt of Capital: Chinese Party (Party A)	2	95,481,503.29	95,481,503.29	47	46.56	
Foreign Party (Party B)	3	8,699,300.00	8,699,300.00	53	0.04	
	4					
	5					
Total	6	104,180,803.29	104,180,803.29	100	46.6	
Accumulated Fund	7					
Interests-type Fund	8					
Savings Fund	9					
Enterprise Development Fund	10					
Undistributed Profits	11	- 8,709,107.28	- 8,709,107.28			
Total Owners' Equity	12	95,471,696.01	95,471,696.01			
ASSETS	CURRENT ASSETS	Monetary Fund	13	618,158.16	618,158.16	
		Receivables and prepayments	14	2,746,590.68	2,746,590.68	
		Inventory	15	9,000.00	9,000.00	
		Other current assets	16	5,328,296.48	5,328,296.48	
		Total of Current Assets	17	8,702,045.32	8,702,045.32	
	SPECIAL ASSETS	Long-Term Investment	18			
		Fixed Assets	19	10,338,816.73	10,338,816.73	
		Projects under Construction	20			
		Intangible Assets and Other Assets	21	76,487,336.05	76,487,336.05	
		Total Assets	22	95,528,198.10	95,528,198.10	
LIABILITIES	Current Liabilities	23	56,502.09	56,502.09		
	Including: liabilities-type funds	24				
	Undistributed Profits	25				
	Long-Term Liabilities	26				
	Total Liabilities	27	56,502.09	56,502.09		

Prepared by: Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants
Special Chop for Capital Verification]

Signature and seal of certified public accountant:
[chopped:
Certified Public Accountant
Chen Lin]

Signature and seal of the company inspected:
[chopped]

粤西会计师事务所

审计报告

粤西会审字[1997]第014号

湛江雷州桉树资源发展有限公司：

我们接受委托，审计了贵公司1996年12月31日的资产负债表及该年度的财务状况变动表。这些会计报表由贵公司负责，我们的责任是对这些会计报表发表审计意见。我们的审计是依据《中国注册会计师独立审计准则》进行的。在审计过程中，我们结合贵公司的实际情况，实施了包括抽查会计记录等我们认为必要的审计程序。

经审查，由于龙门林场木片销售收入的所有权问题，双方未明确归属。因此，贵公司转入龙门林场的管理费5,871,331.00元（1994年为1,111,331.00元，1995年1至6月为4,760,000.00元）应冲减。同时，存货中的木片生产成本材料费11,246,177.48元，应转回林木资产户，场地使用费1,739,850.00元，应转回无形资产户。

我们认为，除以上情况有待调整之外，上述会计报表符合《企业会计准则》和《外商投资企业会计制度》的有关规定，在所有重大方面公允地反映了贵公司1996年12月31日的财务状况及1996年度资金变动情况，会计处理方法的选用遵循了一贯性原则。



地址：广东湛江市霞山岭南路4号

附送贵公司编制的下列会计报表：

- 1、1996年12月31日资产负债表
- 2、1996年度财务状况变动表

中国注册会计师：



一九九七年二月三日

资 产 负 债 表


 6西
 会计师事务
 617

企业名称: 海南椰州资源发展有限公司

1996年12月31日

资	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产:		17,684,034.12	19,450,288.78	流动负债:		200,742.69	2,690,114.40
现金	1	1,269.57	2,767.90	短期借款	42		
银行存款	2	619,418.12	300,618.61	应付票据	43		
备用金	3			应付账款	44		
有价证券	4			应付工资	45	38,407.21	60,407.50
应收票据	5			应交税金	46	1,500.00	1,500.00
应收账款	6			应付股利	47		
减: 坏账准备	7			预收账款	48		
预付账款	8			附属企业往来	49		
附属企业往来	9	394,684.00		其他应付款	50	160,775.48	2,634,206.84
其他应收款	10	2,760,804.95	4,323,930.99	预提费用	51		
待摊费用	11			职工奖励及福利基金	52		
存货	12	13,004,027.48	13,004,027.48	一年内到期的长期负债	53		
减: 存货变现损失准备	13			其他流动负债	54		
内部往来	14	903,830.00	1,758,943.80	流动负债合计	55	200,742.69	2,690,114.40
一年内到期的长期投资	15			长期负债:		0.00	0.00
其他流动资产	16			长期借款	56		
流动资产合计	17	17,684,034.12	19,450,288.78	应付公司债	57		
长期投资:		0.00	0.00	应付公司债溢价(折价)	58		
长期投资	18	0.00		一年以上的应付款项	59		
拨付所属资金	19			长期负债合计	60	0.00	0.00
一年以上的应收款项	20			其他负债:			
固定资产:		10,329,622.61	10,306,253.75	筹建期间汇兑收益	61		
固定资产原价	21	10,382,494.79	10,396,424.79	递延投资收益	62		
减: 累计折旧	22	52,872.18	90,171.04	递延税款贷项	63		
固定资产净值	23	10,329,622.61	10,306,253.75	其他递延贷项	64		
融资租入固定资产原价	24			待转销汇兑收益	65		
减: 租入资产累计折旧	25			其他负债合计	66	0.00	0.00
融资租入固定资产净值	26	0.00	0.00	负债合计	67	200,742.69	2,690,114.40
固定资产清理	27			所有者权益:			
林木资产:		18,454,766.52	18,454,766.52	资本总额(USD2500万美元)			
林木资产	28	18,454,766.52	18,454,766.52	实收资本(USD100万美元)	68	104,180,803.29	104,180,803.29
无形资产:		56,505,110.00	56,505,110.00	其中: 中方投资	69	95,481,503.29	95,481,503.29
场地使用权	29	56,505,110.00	56,505,110.00	外方投资(USD100万美元)	70	8,000,300.00	8,000,300.00
工业产权及专有技术	30			减: 已归还投资	71		
其他无形资产	31			资本公积	72		
无形资产合计	32	56,505,110.00	56,505,110.00	公司投入资金	73		
其他资产:		1,408,012.73	2,160,498.64	储备基金	74		
开办费	33	1,288,500.48	2,048,377.53	企业发展基金	75		
筹建期间汇兑损失	34	119,512.25	112,121.11	利润归还投资	76		
递延投资损失	35			本年利润	77		
递延税款借项	36			未分配利润	78		
其他递延支出	37			货币换存差额	79		
待转销汇兑损失	38						
其他递延借项	39						
其他资产合计	40	1,408,012.73	2,160,498.64	所有者权益合计	80	104,180,803.29	104,180,803.29
资产总计	41	104,381,545.98	106,876,917.69	负债及所有者权益总计	81	104,381,545.98	106,876,917.69

附注: 1. 受托加工材料 ; 2. 受托代销商品 ; 3. 代管商品物资 ;
 4. 由企业负责的应收票据贴现 ; 5. 租入固定资产 ; 6. 本年支付的进口环节税金 ;

财务状况变动表

618

企业名称: 湛江经济技术开发区发展有限公司

1996 年度

会计 1.03 册
单位: 人民币

流动资产来源和运用	行次	金额	流动资金各项目的变动	行次	金额
一、流动资金来源			一、流动资产本年增加数		
1. 本年利润	1		1. 现金	42	1,498.33
减: 冲减流动资金的费用和损失			2. 银行存款	43	-258,799.51
2. 固定资产折旧	2	37,298.86	3. 有价证券	44	
3. 无形资产及其他资产摊销 (减其他长期摊销)	3		4. 应收账款	45	
4. 固定资产盘盈 (减盘亏)	4		5. 应收票据	46	
5. 处理固定资产损失 (减收益)	5		减: 坏账准备	47	
6. 长期投资价值摊销 (减折价摊销)	6		6. 流动资产其他	48	
7. 应付公司债折价摊销 (减折价摊销)	7		7. 预付账款	49	
8. 捐赠固定资产支出	8		8. 其他应收款	50	2,023,555.84
小 计	9	37,298.86	9. 待摊费用	51	
2. 其他来源:			10. 存货	52	
11. 固定资产清理收入 (减清理费用)	10		减: 存货变现损失准备	53	
12. 收回长期投资	11			54	
13. 投资转出固定资产	12			55	
14. 减少无形资产	13			56	
15. 增加长期借款	14			57	
16. 发行公司债	15			58	
17. 增加其他负债	16			59	
18. 增加储备基金和企业发展基金	17			60	
19. 增加资本	18			61	
20. 增加资本公积	19			62	
21. 弥补亏损	20			63	
小 计	21	0.00		64	
流动资金来源合计	22	37,298.86	流动资产增加净额	65	1,766,254.66
二、流动资金运用			二、流动负债本年增加数		
1. 利润分配:			1. 短期借款	66	
1. 所得税	23		2. 应付工资	67	
2. 职工奖励及福利基金	24		3. 应付账款	68	
3. 储备基金	25		4. 应付工资	69	21,910.35
4. 企业发展基金	26		5. 应付税金	70	
5. 股利	27		6. 应付股利	71	
6. 转回长期投资入投资	28		7. 预收账款	72	
7. 转回溢利	29		8. 其他应付款	73	2,473,431.36
小 计	30	0.00	9. 待摊费用	74	
2. 其他运用:			10. 职工奖励及福利基金	75	
1. 增加固定资产	31	13,930.00		76	
2. 增加无形资产及其他资产	32	752,485.91		77	
3. 增加长期投资	33			78	
4. 偿还长期借款	34			79	
5. 收回公司债	35			80	
6. 减少其他负债	36			81	
7. 归还所有者投资 (扣除转回归还所有者投资)	37			82	
8. 减少储备基金和企业发展基金	38			83	
小 计	39	766,415.91		84	
流动资金运用合计	40	766,415.91	流动负债增加净额	85	2,495,371.71
流动资金增加净额	41	-729,117.05	流动资金增加净额	86	-729,117.05

本表附表关系: 9=1-2-3-4-5-6-7+8 21=10+11-12-13-14-15-16-17-18-19+20 22=9+21
 30=23+24+25+26+27+28+29 39=31+32+33+34+35+36+37+38 41=22+40
 65=42+43+44+45+46+47+48+49+50+51+52+53+54+55+56+57+58+59+60+61 85=66+67+68+69+70+71+72+73+74+75+76+77+78+79+80+81+82+83+84

Yuexi Certified Public Accountants

Audit Report

Yue Xi Kuai Shen Zi (1997) No. 014

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.:

We have upon your appointment audited your balance sheet as at 31 December 1996 and your statement of changes in financial position for the year then ended. You are responsible for the aforesaid financial statements while our responsibility is to provide audit opinions on the said financial statements. Our audit work is conducted in accordance with *China's Independent Auditing Standards*. In the audit process, we implemented the audit procedure we deemed necessary, including spot-check of accounting records, in the light of your actual situation.

Upon investigation, we found that both Parties did not clearly specify the ownership of sales income of wood chips in Longmen Forest Farm. Therefore, the RMB5,871,331.00 (RMB1,111,331.00 in 1994, and RMB4,760,000.00 from January to June 1995) management fee transferred by you to Longmen Forest Farm shall be offset. Meanwhile, the RMB11,246,177.48 material cost for producing wood chips in the item of inventory shall be stated as forest asset, and the RMB1,739,850.00 for the use of site shall be included into the item of intangible asset.

We are of the opinion that, except for the above matters to be adjusted, your accounting statements comply with *Accounting Standards for Business Enterprises* and *Accounting System for Business Enterprises with Foreign Investment*, and in all material aspects give a fair view of your financial position as at 31 December 1996 and your cash flow for the year then ended, and you have been consistent in your selection of accounting methods.

Yuexi Certified Public Accountants
[chopped:
Yuexi Certified Public Accountants]

Chinese CPA:
[chopped:
Certified Public Accountant
Chen Riqing]

Address: 4 Lingnan Road, Xiashan District,

3 February 1997

Zhanjiang City, Guangdong

Accounting statements prepared by your company:

1. Balance sheet as at 31 December 1996
2. Statement of changes in financial position in 19956

Balance Sheet

B

[chopped]

[chopped: Yuexi Certified Public Accountants]

Name of enterprise:

Kuai Wai Table 01

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. 31 December 1996

Unit: RMB

Assets	Line	Opening balance	Ending balance	Liabilities and owners' equity	Line	Opening balance	Ending balance
Current assets:		17,684,034.12	19,450,288.78	Current liabilities:		200,742.69	2,696,114.40
Cash	1	1,269.57	2,767.90	Short-term loan	42		
Bank deposit	2	619,418.12	360,618.61	Notes payable	43		
Reserve fund	3			Accounts payable	44		
Securities	4			Salaries payable	45	38,467.21	60,407.56
Notes receivable	5			Taxes payable	46	1,500.00	1,500.00
Accounts receivable	6			Dividends payable	47		
Less: provision for bad debts	7			Advance receipts for goods	48		
Advance payments	8			Transactions between subsidiaries	49		
Transactions between subsidiaries	9	394,684.00		Other accounts payable	50	160,775.48	2,634,206.84
Other receivables	10	2,760,804.95	4,323,930.99	Accrued expenses	51		
Expenses to be amortized	11			Staff bonus and welfare	52		
Inventory	12	13,004,027.48	13,004,027.48	Long-term liabilities maturing within one year	53		
Less: Provision for loss on realisation of inventory	13			Other current liabilities	54		
Internal transactions	14	903,830.00	1,758,943.80	Total current liabilities	55	200,742.69	2,696,114.40
Long-term investments maturing within one year	15			Long-term liabilities:		0.00	0.00
Other current assets	16			Long-term loan	56		
Total current assets	17	17,684,034.12	19,450,288.78	Corporate bonds payable	57		
Long-term investments:		0.00	0.00	Corporate bond premium (discount)	58		
Long-term investments	18	0.00		Accounts payable for more than one year	59		
Funds to branches	19			Total long-term liabilities	60	0.00	0.00
Accounts payable for more than one year	20			Other liabilities:			
Fixed assets:		10,329,622.61	10,306,253.75	Exchange gain during start-up period	61		
Original cost of fixed assets	21	10,382,494.79	10,396,424.79	Deferred investment earnings	62		
Less: cumulative depreciation	22	52,872.18	90,171.04	Deferred tax credit	63		
Net value of fixed assets	23	10,329,622.61	10,306,253.75	Other deferred credits	64		
Original cost of fixed assets acquired under finance lease	24			Exchange gains to be written off	65		
Less: Accumulated depreciation of assets leased	25			Total other liabilities	66	0.00	0.00
Net value of fixed assets acquired under finance leases	26	0.00	0.00	Total liabilities	67	200,742.69	2,696,114.40
Disposal of fixed assets	27			Owners' equity:			
Forest assets:		18,454,766.52	18,454,766.52	Total capital (USD25 million)		-	-
Forest assets	28	18,454,766.52	18,454,766.52	Paid-up capital (USD1 million)	68	104,180,803.29	104,180,803.29
Intangible assets:		56,505,110.00	56,505,110.00	Including: Investments of Chinese party	69	95,481,503.29	95,481,503.29
Site use right	29	56,505,110.00	56,505,110.00	Investments of foreign party (USD1 million)	70	8,699,300.00	8,699,300.00
Industrial property rights and patent technologies	30			Less: investment repaid	71		
Other intangible assets	31			Capital reserve	72		
Total intangible assets	32	56,505,110.00	56,505,110.00	Funds from head office	73		
Other assets:		1,408,012.73	2,160,498.64	Reserve fund	74		
Organization cost	33	1,288,500.48	2,048,372.53	Corporate development fund	75		
Exchange loss during start-up period	34	119,512.25	112,121.11	Profit capitalised on return of investment	76		
Deferred investment losses	35			Profit for the current year	77		
Deferred tax debit	36			Undistributed profits	78		
Other deferred expenses	37			Currency translation difference	79		
Exchange losses to be written off	38						
Other deferred debits	39						
Other assets	40	1,408,012.73	2,160,498.64	Total owners' equity	80	104,180,803.29	104,180,803.29
Total assets	41	104,381,545.98	106,876,917.69	Total liabilities and owners' equity	81	104,381,545.98	106,876,917.69

Notes: 1. outsourced processing materials; 2. consigned commodities; 3. commodities held for others;

4. discounts of notes receivable to be undertaken by the enterprise; 5. fixed assets under operating lease; 6. import tax paid this year

Statement of Changes in Financial Position

[chopped]

[chopped: Yuexi Certified Public Accountants]

Name of enterprise:

Kuai Wai [illegible] Table 03

Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. 1996

Unit: RMB

Source and use of current fund	Line	Amount	Change of various accounts of current fund	Line	Amount
I. Source of current fund		-	I. Increase of current assets in the year		
1. Profit for the current year	1		1. Cash	42	1,498.33
Add: Expenses and losses not affecting current fund		-	2. Bank deposits	43	-258,799.51
(1) Depreciation of fixed assets	2	37,298.86	3. Securities	44	
(2) Amortisation of intangible assets and other assets (less: amortisation of other liabilities)	3		4. Notes receivable	45	
(3) Less: fixed assets inventory shorts (less: inventory surplus)	4		5. Accounts receivable	46	
(4) Loss from disposal of fixed assets (less: gains)	5		Less: Provision for bad debt	47	
(5) Amortisation of premium on long term investments (less: discount amortisation)	6		6. Income tax prepaid	48	
(6) Discount amortisation of corporate bonds payable (less: discount amortisation)	7		7. Advance payment for goods	49	
(7) Expenditure on donation of fixed assets	8		8. Other receivables	50	2,023,555.84
Subtotal	9	37,298.86	9. Expenses to be amortised	51	
2. Other sources		-	10. Inventories	52	
(1) Revenue from disposal of fixed assets (less: disposal expenses)	10		Less: Provision for loss on change of inventory	53	
(2) Realisation of long-term investments	11			54	
(3) Investment translated into fixed assets	12			55	
(4) Decrease of intangible assets	13			56	
(5) Increase of long-term loans	14			57	
(6) Issue of corporate bonds	15			58	
(7) Increase of other liabilities	16			59	
(8) Increase of reserve fund and corporate development fund	17			60	
(9) Capital increase	18			61	
(10) Increase of capital reserve	19			62	
(11) Loss recovery	20			63	
Subtotal	21	0.00		64	
Total sources of current fund	22	37,298.86	Net increase of current assets	65	1,766,254.66
II. Use of current fund		-	II. Increase of current liability in the year		-
1. Profit distribution			1. Short-term loans	66	
(1) Income taxes	23		2. Notes payable	67	
(2) Staff bonus and welfare	24		3. Accounts payable	68	
(3) Reserve fund	25		4. Salaries payable	69	[illegible]
(4) Corporate development fund	26		5. Taxes payable	70	
(5) Dividend	27		Dividends payable	71	
(6) Profit capitalised on return of investment	28		7. Advance receipts for goods	72	
(7) Capital increase of enterprise [illegible]	29		8. Other payables	73	2,473,431.36
Subtotal	30	0.00	9. Accrued expenses	74	
2. Other uses		-	10. Staff bonus and welfare	75	
(1) Increase of fixed assets	31	13,930.00		76	
(2) Increase of intangible assets and other assets	32	752,485.91		77	
(3) Increase of long-term investment	33			78	
(4) Repayment of long-term loans	34			79	
(5) Recovery of corporate bonds	35			80	
(6) Decrease of other liabilities	36			81	
(7) Repayment of owners' investment (with profit capitalised on return of owners' investments deducted)	37			82	
(8) Decrease of reserve fund and corporate development fund	38			83	
Subtotal	39	766,415.91		84	
Total uses of current fund	40	766,415.91	Net increase of current liabilities	85	[illegible]
Net increase of current fund	41	[illegible]	Net increase of current fund	86	[illegible]

Correspondence relation of this table:

9=1+2+3+4+5+6+7+8 21=10+11+12+13+14+15+16+17+18+19+20 22=9+21
 30=23+24+25+26+27+28+29 39=31+32+33+34+35+36+37+38 41=27+40
 65=42+43+44+45+46+47+48+49+50+51+52+53+54 85=66+67+68+69+70+71+72+73+74+75+76+77+78+79+80+81+82+83+84 86=85+86

湛江雷州桉树资源发展有限公司

章 程

第一条 湛江雷州桉树资源发展有限公司原系由雷州林业局和香港嘉汉木业集团有限公司合资经营的企业。经湛江市对外经贸委 1994 年 1 月 28 日湛经贸资批字（1994）021 号文批准成立。由于各种原因，公司成立至今尚未能正常运作。经雷州桉树资源发展有限公司董事会 1998 年 6 月 3 日决议和雷州林业局 1998 年 6 月 10 日雷林函（1998）25 号文，雷州林业局同意退出雷州桉树资源发展有限公司，其在雷州桉树资源发展有限公司中的出资及相应权利和义务，香港嘉汉木业集团有限公司同意全部退回给雷州林业局。雷州林业局退出后，湛江雷州桉树资源发展有限公司改由香港嘉汉木业集团有限公司全资经营，即由中外合资企业改为外资企业，根据《中华人民共和国外资企业法》及其实施细则，特制定本章程。

第二条 外资公司名称为：湛江雷州桉树资源发展有限公司（下称外资公司）。

外资公司的法定地址改为：海滨五路 159 号。

第三条 外资公司的投资者：香港嘉汉木业集团有限公司。

法定地址：香港湾仔港湾道 23 号鹰君中心 1409 室

第四条 外资公司为有限责任公司。

第五条 外资公司为中国法人，受中国法律管辖和保护，其一切活动必须遵守中国法律法令和有关条例规定。

第二章 宗旨、经营范围

第六条 外资公司宗旨为：在中国发展林业、经营林业。

第七条 外资公司的经营范围：营林，木材加工，木制品林

产化工产品生产销售。

第八条 外资公司生产规模为：营林八千公顷。木材加工，~~每年~~ ^年产值约二百万美元。

第九条 外资公司的产品，50%在中国境内销售，50%在中国境外销售。

第三章 总投资额及注册资本

第十条 外资公司的总投资额为2500万美元。

第十一条 外资公司的注册资本为1000万美元。

第十二条 外资公司的资金由香港嘉汉木业集团有限公司全资投入。

第十三条 外资公司的资金，在外资公司营业执照变更之日起12个月内投入完毕，其中第一期在头三个月内投入15%以上。

第十四条 经营期限内，外资公司不得减少注册资本。

第十五条 外资公司注册资本的增加，转让须经董事会一致通过，并报原审批机关批准。

第四章 董事会

第十六条 外资公司设董事会，董事会是外资公司的最高权力机构。

第十七条 董事会决定外资公司的一切重大事宜，其职权主要如下：

- 1、决定和批准总经理提出的重要报告（如生产规划、年度营业报告、资金、借款等）；
- 2、批准年度财务报表，收支预算、年度利润分配方案；
- 3、通过外资公司的重要规章制度；
- 4、决定设立分支机构；
- 5、修改公司章程；

6、讨论决定外资公司停产，终（中）止或与另一个经济组织合并；

7、决定聘用总经理、总工程师、总会计师、审计师等高级职员；

8、负责外资公司终止和期满时的清算工作；

9、其它应由董事会决定的重大事宜；

第十八条 董事会由三名董事组成，均由香港嘉汉木业集团有限公司委派，董事任期为四年，经连续委派可以连任。

第十九条 董事会例会每年召开不少于两次。

第二十条 董事会会议由董事长召集并主持，董事长缺席时，由副董事长召集并主持。

第二十一条 董事长应在董事会开会前三十天书面通知各董事写明会议内容、时间和地点。

第二十二条 董事因故不能出席董事会会议，可以书面委托代理人出席董事会，如届时未出席也未委托他人出席，则作为弃权。

第二十三条 出席董事会会议的法定人数为全体董事的三分之二，不够三分之二人数时，其通过的决议无效。

第二十四条 董事会每次会议，须整理书面记录，并由全体出席的董事签字。代理人出席的由代理人签字。记录文字使用中文，书面记录由外资公司存档。

第二十五条 下列事项须经出席董事会会议的董事一致通过方可作出决议：

- 1、外资公司章程的修改；
- 2、外资公司注册资本的增加、转让；
- 3、外资公司中止、解散；
- 4、外资公司与其他经济组织合并。

第二十六条 第二十五条之外的其他事项须经出席董事会会议过半数董事通过方可作出决议。

第五章 经营管理机构

第二十七条 外资公司的经营管理机构下设生产、技术、劳资、行政等部门。

第二十八条 外资公司设总经理一人，副总经理一人，正副总经理由董事会聘请。

第二十九条 总经理直接对董事会负责，执行董事会的各项决定，组织领导外资公司的日常生产，技术和经营管理工作。副总经理协助总经理工作，当总经理不在时，代理行使总经理的职责。

第三十条 外资公司日常工作中重要问题的决定，应由总经理和副总经理联合签署方能生效。需要联合签署的事项，由董事会具体规定。

第三十一条 总经理和副总经理的任期为四年，经董事会聘请可以连任。

第三十二条 外资公司的董事长、副董事长、董事经董事会聘请，可兼任外资公司总经理、副总经理及其他高级职员。

第三十三条 外资公司总经理、副总经理不得兼任其他经济组织的总经理或副总经理，不得参与其他经济组织对本外资公司的商业竞争行为。

第三十四条 外资公司设总工程师、总会计师和审计师各一人，由董事会聘请。

第三十五条 总会计师负责领导外资公司的财务会计工作，组织外资公司开展全面经济核算。

审计师负责外资公司的财务审计工作，审核外资公司财务的收支会计帐目，向总经理并向董事会提出报告。

第三十六条 总经理、副总经理、总工程师、总会计师、审计师和其他高级职员辞职时，应提前向董事会提出报告。

以上人员如有营私舞弊或严重失职行为的，经董事会决议，可随时解聘。如触犯刑律的，要依法追究刑事责任。

第六章 财务会计

第三十七条 外资公司的财务会计按照中华人民共和国财政部制定的有关财务会计制度规定办理。

第三十八条 外资公司会计年度采用日历年制，自一月一日起至十二月三十一日止为一个会计年度。

第三十九条 外资公司的一切凭证、帐簿、报表用中文书写。用外文书写的，应当加注中文。

第四十条 外资公司采用人民币为记帐本位币，人民币同其他货币折算，按实际发生之日中华人民共和国国家外汇管理局公布的汇价计算。

第四十一条 外资公司在中国银行或中国其他银行开立人民币及外币帐户。

第四十二条 外资公司采用国际通用的权责发生制和借贷记帐法记帐。

第四十三条 外资公司财务会计帐册上应记载如下内容：

- 1、外资公司所有的现金收入、支出数量；
- 2、外资公司所有物资出售及购入情况；
- 3、外资公司注册资本及负债情况；
- 4、外资公司注册资本的缴纳时间、增加及转让情况；

第四十四条 外资公司财务部门应在每个会计年度头三个月编制上一个会计年度的资产负债表和损益计算书，经审计师审核签字后，提交董事会会议通过。

第四十五条 外资公司按照《中华人民共和国外商投资企业和外国企业所得税法》及其实施细则的规定，由董事会决定其固定资产的折旧年限。

第四十六条 外资公司的一切外汇事宜按照《中华人民共和国外汇管理条例》和有关规定办理。

第七章 利 润

第四十七条 外资公司从缴纳所得税后的利润中提取储备基金和职工奖励及福利基金。储备基金的提取比例不得低于税后利润的10%，职工奖励及福利基金的提取比例由董事会确定。

第四十八条 外资公司依法缴纳所得税和提取各项基金后的利润，归投资方所得，但经董事会一致同意另有规定除外。

第八章 职 工

第四十九条 外资公司职工的雇用、解聘、辞职、工资福利、劳动保险、劳动保护、劳动纪律等事宜，按照中华人民共和国有关劳动法规办理。

第五十条 外资公司所需要的职工，可以由当地劳动部门推荐或者经劳动部门同意后，由外资公司公开招收，但一律通过考试择优录用。

外资公司在中国境内雇用职工，企业与职工双方应依照中国的法律、法规签订劳动合同。劳动合同中应订明雇用、辞退、报酬、福利、劳动保护、劳动保险等事宜。

第五十一条 外资公司有权对违犯外资公司规章制度和劳动纪律的职工给予警告，记过，降薪的处分，情节严重的，可予以开除。开除处分职工，须报当地劳动部门备案。

第五十二条 职工的工资待遇参照中国有关规定，根据外资公司情况，由董事会确定，并在劳动合同中具体规定。

外资公司随着生产的发展，职工业务能力和技术水平的提高，适当提高职工的工资。

第五十三条 职工的福利、奖金、劳动保护和劳动保险等事宜，外资公司将分别在各项制度中加以规定，确保职工在正常条件下从事生产和工作。

第九章 工会组织

第五十四条 外资公司职工有权按照《中华人民共和国工会法》的规定，建立工会组织，开展工会活动。

第五十五条 外资公司的工会组织是职工利益的代表，它的任务是：依法维护职工的民主权利和物质利益，协助外资公司安排和合理使用福利、奖励基金，组织职工学习政治、业务、科学、技术知识，开展文艺、体育活动，教育职工遵守劳动纪律，努力完成公司各项任务。

第五十六条 外资公司工会代表职工和外资公司签订劳动合同，并监督合同的执行。

第五十七条 外资公司工会负责人有权列席有关讨论公司发展规划，生产经营活动等问题的董事会会议，反映职工的意见和要求。

第五十八条 外资公司工会参加调解职工和外资公司之间发生的争议。

第五十九条 外资公司每月按外资公司职工实际工资总额百分之二拨交工会经费，外资公司工会按照中华全国总工会制定的《工会经费管理办法》使用工会经费。

第十章 期限、终止、清算

第六十条 外资公司经营期限为30年，自原营业执照签发之日起计算。

第六十一条 外资公司经营董事会会议作出决议可在经营期满前六个月向原审批机构申请延长经营期限。

第六十二条 外资公司如认为终止经营符合外资公司最大利益时，可申请提前终止经营。

第六十三条 外资公司提前终止经营，需董事会召开全体会议作出决定，并报送对外贸易经济合作部（或其委托的审批机构）

批准。

第六十四条 外资公司经营期满或提前终止经营时，董事会应提出清算程序，原则和清算委员会人选，组成清算委员会，对外资公司财产进行清算。

第六十五条 清算委员会的任务是对外资公司的财产、债权、债务进行全面清算，编制资产负债表和财产目录，制定清算方案，提请董事会通过后执行。

第六十六条 清算期间，清算委员会代表公司起诉或应诉。

第六十七条 清算费用和清算委员会成员的酬劳应从外资公司现存财产中优先支付。

第六十八条 清算委员会对外资公司的债务全部清偿后，其剩余的财产归投资者所有。

第六十九条 清算结束后，外资公司应向对外贸易经济合作部（或其委托的审批机构）提出报告，并向国家工商行政管理局办理注销登记手续，缴回营业执照，同时对外公告。

第七十条 外资公司结业后，其各种帐册由投资者保存。

第十一章 规章制度

第七十一章 外资公司通过董事会制定的规章制度有：

- 1、经营管理制度，包括所属各个管理部门的职权与工作程序；
- 2、职工守则；
- 3、劳动工资制度；
- 4、职工考勤、升级与奖励制度；
- 5、职工福利制度；
- 6、财务制度；
- 7、公司解散时的清算程序；
- 8、其他必要的规章制度；

第十二章 附 则

第七十二条 本章程的修改，必须经董事会会议一致通过决议，并报原审批机构批准。

630

第七十三条 本章程用中文书写。

第七十四条 本章程须经中华人民共和国对外贸易经济合作部（或其委托的审批机构）批准才能生效，修改时同。

香港嘉汉木业集团有限公司

授权代表：

A circular stamp with the company name in Chinese and English is partially visible behind a handwritten signature. The signature appears to be 'K. K. ...'.

一九九九年四月廿七日

Articles of Association
of
Zhangjiang Leizhou Eucalypt Resources Development Co., Ltd.

Article 1 Jointly funded by Leizhou Forestry Bureau and Sino-Wood Partners, Limited, Zhangjiang Leizhou Eucalypt Resources Development Co., Ltd. was established as an equity joint venture upon approval of Zhanjiang Committee of Foreign Trade and Economic Cooperation in its document Zhan Jing Mao Zi Pi Zi (1994) No. 021 dated 28 January 1994. For various reasons, the Company has not been normally operated till now. According to the resolutions dated 3 June 1998 of the board of directors of Leizhou Eucalypt Resources Development Co., Ltd. and Document Lei Lin Han (1998) No. 25 dated 10 June 1998 of Leizhou Forestry Bureau, Leizhou Forestry Bureau agreed to withdraw from Leizhou Eucalypt Resources Development Co., Ltd., and Sino-Wood Partners, Limited agreed to return to Leizhou Forestry Bureau all its capital contributions and rights and obligations in Leizhou Eucalypt Resources Development Co., Ltd. After the withdrawal of Leizhou Forestry Bureau, Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. was changed from a Chinese-Foreign equity joint venture to a Foreign-Funded Enterprise wholly funded by Sino-Wood Partners, Limited. These Articles of Association are formulated in accordance with *Law of the People's Republic of China on Foreign-Funded Enterprises* and the implementation rules thereof.

Article 2 Name of the Foreign-Funded Enterprise: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd. (the Foreign-Funded Enterprise).

Legal address of the Foreign-Funded Enterprise: 159 Fifth Haidian Road.

Article 3 Investor of the Foreign-Funded Enterprise: Sino-Wood Partners, Limited

Legal address: Room 1409, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong

Article 4 The Foreign-Funded Enterprise is a company with limited liabilities.

Article 5 The Foreign-Funded Enterprise is a PRC legal person, which shall be governed and protected by PRC laws and all its activities shall comply with the PRC laws, statutes and relevant regulations.

Chapter 2 Objective and Business Scope

Article 6 Objective of the Foreign-Funded Enterprise: To develop and manage forestry business in China.

Article 7 Business scope of the Foreign-Funded Enterprise: Silviculture, wood processing, production and sale of wood and forest chemical products.

Article 8 Manufacturing scale of the Foreign-Funded Enterprise: Forest of 8,000 hectares, and an annual output of about US\$2 million in terms of wood processing.

Article 9 The products of the Foreign-Funded Enterprise are sold in equal proportion on domestic and overseas markets.

Chapter 3 Total Investment and Registered Capital

Article 10 The total investment of the Foreign-Funded Company shall be US\$25 million.

Article 11 The registered capital of the Foreign-Funded Company shall be US\$10 million.

Article 12 The capital of the Foreign-Funded Company shall be wholly funded by Sino-Wood Partners, Limited, Hong Kong.

Article 13 The capital of the Foreign-Funded Company shall be contributed in full within 12 months from the date of change of the business license of the Foreign-Funded Company, including the phase-one contribution of over 15% within the first 3 months.

Article 14 During the term of operation, the Foreign-Funded Company shall not reduce its registered capital.

Article 15 Increase of the registered capital of the Foreign-Funded Company shall be subject to the unanimous adoption of the Board of Directors and approval by the original examination and approval authority

Article 16 The Foreign-Funded Company shall have a Board of Directors which shall be the highest authority of the Foreign-Funded Company.

Article 17 The Board of Directors makes decisions on all major issues of the Foreign-Funded Company, and its duties and functions are as follows:

1. decide on and approve important reports submitted by the general manager (such as production planning, annual business report, capital, borrowings, etc.);

2. approve the annual financial report, income and expense budget, and annual profit distribution scheme;

3. approve important rules and regulations of the Foreign-Funded Company;

4. decide on the establishment of branch office(s);

5. amend the Articles of Association of the Company;

6. discuss and decide on the cessation of production, termination (suspension) of the Foreign-Funded Company or merger with another economic entity;

7. decide the appointment of senior officers such as general manager, chief engineer, chief accountant, auditor, etc.

8. take charge of the liquidation work of the Foreign-Funded Company upon its termination and expiration;

9. other important matters which shall be decided by the Board of Directors.

Article 18 The Board of Directors shall be composed of three directors, all of whom shall be appointed by Sino-Wood Partners, Limited, Hong Kong. The term of office of the directors shall be 4 years and is renewable upon continuing appointment.

Article 19 Regular meetings of the Board of Directors shall be convened at least two times a year.

Article 20 Meetings of the Board of Directors shall be called and presided over by the chairman. During the absence of the chairman, the meetings shall be called and presided over by the vice-chairman.

Article 21 The chairman shall inform all the directors in writing of the agenda, time, and venue of the board meeting at least 30 days prior to the

meeting.

Article 22 Should a director be unable to attend a Board meeting for any reason, he may authorize in writing a proxy to attend the meeting. If a director does not attend a Board meeting and fails to appoint a proxy to attend on his behalf, he shall be deemed to have forfeited his rights.

Article 23 A quorum of the board meeting shall be constituted when two-thirds of all the directors are present at the meeting. When the number of directors present does not reach two-thirds, any resolution passed shall be null and void.

Article 24 Minutes of each Board meeting shall be properly prepared and signed by all the attending directors; and if the meeting is attended by a proxy, the minutes shall be signed by the proxy. The minutes shall be recorded in Chinese and shall be kept by the Foreign-Funded Company.

Article 25 Resolutions on the following issues shall only be made subject to the unanimous adoption by the directors attending a Board Meeting:

1. Amendments to the Articles of Association of the Foreign-Funded Company;
2. Increase and transfer of the registered capital of the Foreign-Funded Company;
3. Termination and dissolution of the Foreign-Funded Company;
4. Merger of the Foreign-Funded Company with another economic entity.

Article 26 Resolutions on any other matters beyond Article 25 shall only be made subject to the adoption by over 50% of the directors attending a Board Meeting:

Chapter 5 Business Management Organisation

Article 27 The Business Management Organisation of the Foreign-Funded Company shall have thereunder various departments such as production, technical, labour relations, and administration.

Article 28 The Foreign-Funded Company shall have a general manager and a deputy general manager. Both the general manager and deputy general manager shall be appointed by the Board of Directors.

Article 29 The general manager shall be accountable to the Board of Directors directly and execute the various decisions of the Board of Directors,

organise and lead the day-to-day production, technical and operation management work of the Foreign-Funded Company. The deputy general manager shall assist the general manager in his duties. During the absence of the general manager, the deputy general manager shall exercise the general manager's duties on his behalf.

Article 30 Decisions on important issues of the Foreign-Funded Company during its day-to-day operations shall be jointly signed by the general manager and deputy general manager before taking effect. Matters which required their joint signatures shall be specified by the Board of Directors.

Article 31 The term of office of the general manager and deputy general managers shall be 4 years and is renewable upon re-appointment by the Board of Directors.

Article 32 The chairman and vice-chairman of the Board of Directors of the Foreign-Funded Company may concurrently serve as the general manager, deputy general manager and other senior officers of the Foreign-Funded Company.

Article 33 The general manager and deputy general manager of the Foreign-Funded Company shall not serve concurrently as general manager or deputy general manager of other economic entities and shall not participate in other economic entities' acts of commercial competition against the Foreign-Funded Company.

Article 34 The Foreign-Funded Company shall have a chief engineer, chief accountant, and auditor, who shall be appointed by the Board of Directors.

Article 35 The chief accountant shall be responsible for leading the financial and accounting tasks of the Foreign-Funded Company and organising the Foreign-Funded Company in launching comprehensive costing control.

The auditor shall take charge of the financial and auditing tasks of the Foreign-Funded Company, audit the income and expenditure accounts relating to the finances of the Foreign-Funded Company, and submit reports to the general manager and to the Board of Directors.

Article 36 When the general manager, deputy general managers, chief engineer, chief accountant, auditor, and other senior officers tender resignations, a report shall be submitted to the Board of Directors in advance.

Where any of the aforesaid individuals conducts graft or commits serious dereliction of duty, they may be dismissed at any time upon resolution

of the Board of Directors. In case of violation of the criminal law, they shall be investigated for criminal responsibility according to law.

Chapter 6 Finance and Accounting

Article 37 The Foreign-Funded Company's financial and accounting system shall be handled in accordance with the provisions of the relevant financial and accounting system formulated by the Ministry of Finance of the People's Republic of China.

Article 38 The accounting year of the Foreign-Funded Company shall follow the Gregorian calendar year system, i.e. an accounting year starts from 1 January and ends on 31 December.

Article 39 All vouchers, accounting books and statements of the Foreign-Funded Company shall be written in Chinese.

Article 40 The Foreign-Funded Company shall use Renminbi as the currency for accounting entries. Conversion between Renminbi and other currencies shall be based on the exchange rate announced by State Administration of Foreign Exchange of the People's Republic of China.

Article 41 The Foreign-Funded Company shall open a Renminbi account and foreign currency account with the Bank of China or any other bank in China.

Article 42 The Foreign-Funded Company shall adopt the internationally and generally accepted accrual basis and debit/credit bookkeeping method.

Article 43 The financial and accounting books of the Foreign-Funded Company shall record the following contents:

1. All cash revenues and expenses of the Foreign-Funded Company;
2. All material purchases and sales of the Foreign-Funded Company;
3. The Foreign-Funded Company's registered capital and liabilities;
4. The date of contribution, increase and transfer of the registered capital of the Foreign-Funded Company;

Article 44 The Finance Department of the Foreign-Funded Company shall prepare the balance sheet and income statement of the preceding accounting year during the first 3 months of every accounting year, which shall be submitted to the Board of Directors for approval in the board meeting.

Article 45 The Foreign-Funded Company shall comply with the

stipulations of the *Profit Tax Law for Foreign-Invested Enterprises and Foreign Enterprises of the People's Republic of China* and its detailed rules for implementation, and the Board of Directors shall determine the depreciation period of its fixed assets.

Article 46 The handling of all foreign exchange matters of the Foreign-Funded Company shall be handled in accordance with the *Foreign Exchange Control Regulations of the People's Republic of China* and its relevant stipulations.

Chapter 7 Profits

Article 47 The Foreign-Funded Company shall withdraw from the after-tax profits to provide funding for the reserve fund, enterprise development fund, staff bonus and welfare fund. The withdrawal ratio of the reserve fund shall not be lower than 10% of the after-tax profits, while the withdrawal ratio of the staff bonus and welfare fund shall be determined by the Board of Directors.

Article 48: After the Foreign-Funded Company has paid the profit tax according to law and withdrawn the various funds, the remaining profit shall belong to the investors unless otherwise unanimously agreed by the Board of Directors.

Chapter 8 Employees

Article 49 Issues such as the recruitment, layoff, resignation, wages, welfare, labour insurance, labour protection, labour discipline of the employees of the Foreign-Funded Company shall be handled in accordance with the relevant labour laws and regulations of the People's Republic of China.

Article 50 Employees required for the Foreign-Funded Company may be recommended by the local labour department or, subject to the consent of the labour department, recruited openly by the Foreign-Funded Company; however, all of them shall be hired by selecting the best candidates through examination.

The Foreign-Funded Company shall hire employees in the territory of China, and the enterprise and employees shall enter into employment contracts pursuant to the laws and regulations of China. The employment contract shall

specify such matters as the employment, resignation, remuneration, benefits, labour protection, and labour insurance.

Article 51 The Foreign-Funded Company shall have the right to impose disciplinary actions on employees who have violated the regulations and labour disciplines of the Foreign-Funded Company, giving them warnings, recording their demerits, and reducing their salaries. Such employees may be dismissed in case of serious offences. Dismissal of employees shall be reported to the local labour department for record.

Article 52 The wages and remuneration of employees shall be decided by the Board of Directors with reference to the relevant stipulations of the People's Republic of China and in consideration of the specific conditions of the Foreign-Funded Company, and shall be specified in the employment contract accordingly.

Following the development of production and operation of the Foreign-Funded Company and the enhancement of the employees' business abilities and technical level, the employees' wages shall be increased appropriately.

Article 53 Issues such as employees' benefits, bonus, labour protection, and labour insurance shall be stipulated respectively in the various systems of the Foreign-Funded Company so as to ensure that the employees are engaged in production and working under normal conditions.

Chapter 9 Trade Union Organization

Article 54 Employees of the Foreign-Funded Company shall have the right to set up a trade union organization and launch trade union activities as stipulated in the *Laws on Trade Unions of the People's Republic of China*.

Article 55 The trade union of the Foreign-Funded Company represents the interests of the employees. Its roles are: to protect the employees' democratic rights and material benefits according to the law; to assist the Foreign-Funded Company in the arrangement and the reasonable use of the welfare and incentive funds; to organise the employees to learn politics, business, science and technical knowledge; to launch artistic and sports activities; and to educate the employees to comply with labour disciplines and to diligently fulfill the various economic tasks of the Foreign-Funded Company.

Article 56 The trade union of the Foreign-Funded Company shall enter into employment contracts with the Foreign-Funded Company on behalf of the employees, and monitor the execution of the employment contracts.

Article 57 The person-in-charge of the trade union of the Foreign-Funded Company shall be entitled to attend relevant meetings concerning relevant issues such as the development plans, production and operation activities of the Company, to reflect the employees' opinions and requests.

Article 58 The trade union of the Foreign-Funded Company shall participate in mediating the disputes between the employees and the Foreign-Funded Company.

Article 59 The Foreign-Funded Company shall appropriate a monthly amount equivalent to 2% of the actual total wages of the employees for the expenditure for the trade union. The trade union of the Foreign-Funded Company shall make use of the said funding according to the *Measures for the Administration of Trade Union Expenditures* formulated by the China National Trade Union Federation.

Chapter 10 Term, Termination, and Liquidation

Article 60 The term of operation of the Foreign-Funded Company shall be 30 years, commencing from the date of issuance of the original Business License.

Article 61 Subject to a resolution of the Board of Directors, the term of the Foreign-Funded Company may be extended by submitting an application to the original examination and approval authority within six months prior to the expiry of the term of operation of the Foreign-Funded Company.

Article 62 In the event that the Foreign-Funded Company believes that it is in the best interests of the Foreign-Funded Company to terminate its operation, it may apply for terminating its operation early.

Article 63 The early termination of the Foreign-Funded Company shall be subject to the decision of all the directors in a meeting of the Board of Directors, and shall be submitted to the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry) for approval.

Article 64 When the term of the Foreign-Funded Company expires or

is terminated prematurely, the board of directors shall propose the procedures and principles of liquidation and the candidates of the liquidation committee, and form a liquidation committee to liquidate the property of the Foreign-Funded Company.

Article 65 The mission of the liquidation committee is to take comprehensive inventory of all property, claims, and debts of the Foreign-Funded Company, prepare a balance sheet and a catalogue of property, and formulate a liquidation plan for submission to the board of directors for adoption and implementation.

Article 66 During the liquidation, the liquidation committee shall sue and shall be sued on behalf of the Company.

Article 67 The costs of liquidation and the remuneration of the liquidation committee members shall be paid out of the existing property of the Foreign-Funded Company.

Article 68 After full settlement of the debts of the Foreign-Funded Company by the liquidation committee, the remaining property shall belong to the investor.

Article 69 Upon completion of the liquidation, the Foreign-Funded Company shall submit a report to the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry) for approval, go through the procedure for cancellation of registration with the State Administration for Industry and Commerce, surrender its business license, and also make a public announcement thereof.

Article 70 After closure of the Foreign-Funded Company, all of its accounting books shall be retained by the investor.

Chapter 11 Rules and Regulations

Article 71 The rules and regulations formulated by the Foreign-Funded Company include the following:

1. Operation and management system, which includes the duties, power and work procedures of the various management departments thereunder;
2. Rules for the employees;
3. Wage system;
4. Employees' punctuality, attendance, promotion, and incentive

systems;

5. Employees' welfare system;
6. Financial system;
7. Liquidation procedures upon the dissolution of the Company;
8. Other required rules and regulations.

Chapter 12 Supplementary Provisions

Article 72 Amendments to these Articles of Association shall be subject to the unanimous adoption by the Board of Directors by way of resolution and submitted to the original examination and approval authority for approval.

Article 73 These Articles of Association shall be written in the Chinese language.

Article 74 These Articles of Association shall take effect only after approval by the Ministry of Foreign Trade and Economic Cooperation (or the examination and approval authority appointed by the Ministry). The same approval is required in case of amendments.

Sino-Wood Partners, Limited, Hong Kong

**[chopped:Sino-Wood Partners, Limited,
Hong Kong]**

Legal Authorized: *[signed]*

27 April 1999

编号: _____

注册号: _____

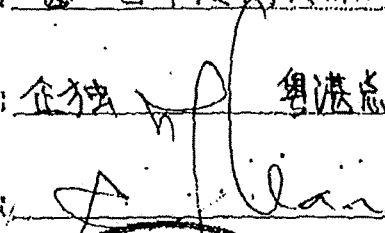
外商投资企业注销登记申请书 A-302

湛江市 工商行政管理局:

根据《中华人民共和国公司登记管理条例》和《中华人民共和国企业法人登记管理条例》规定,现向贵局申请注销登记,请予审核批准。申请人对所填写内容和提交材料承担法律责任。

申请企业名称: 湛江雷州桉树资源发展有限公司

注册号: 企独 粤港总字第00057号

法定代表人签字: 

申请企业盖章: 

2003年 10月 28日

广东省工商行政管理局制

2

外商投资企业注销登记 需提交的文件、证件清单

1. 注销登记申请书 原件 1 份；
2. 董事会决议 原件 1 份；
3. 清理债权债务完结的报告或清算组织负责清理债权债务
的文件 原件 1 份；
4. 批文(经营期限未到期的需提交) 原件 1 份；
5. 税务机关的完税证明 原件 1 份；
6. 海关出具的完税证明 原件 1 份。
7. 营业执照正、副本

申报注销经办人的姓名：祁志兰

申报注销经办人的电话：3385975

企业注销登记表

(申请人填写)

名称	湛江雷州爱源发源有限公司
住所	湛江市人民大道中33号
法定代表人	陈德源
经营期限	自2010年一月廿九日至2010年一月廿八日
注销原因	另有项目投资运作
批准注销 部门及文号	
交回证照 印章记录	企业法人营业执照正本 (份; 企业法人营业执照副本 (份; 印章(公章、财务章、合同章等)各 枚
备注	

Ref. No.: _____

Registration No.: _____

**Application for Cancellation of Registration of
Foreign-Funded Enterprises**

A302

Zhanjiang Industry and Commerce Administration Bureau:

In accordance with the *Regulations of the People's Republic of China on Administration of Registration of Companies* and *Regulations of the People's Republic of China on Administration of Registration of Enterprises Legal Person*, the Company hereby applies to your Bureau for cancellation of registration. The applicant shall bear legal liability for the information and materials provided.

Name of enterprise: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.

Registration No.: Qi Du Yue Zhan Zong Zi No. 000571

Signature of legal representative: [signed]

Seal of enterprise: [chopped: Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.]

28 October 2003

Prepared by Guangdong Provincial Industrial and Commercial
Administration Bureau

**Necessary Documents and Certificates Submitted for
Cancellation of Registration of Foreign-Funded Enterprises**

646

1. Application for Cancellation of Registration One original;
2. Resolution of the board of directors One original;
3. A report on settlement of creditor's rights and debts or a document from the liquidation organisation in charge of settlement of creditor's rights and debts One original;
4. Approval documents (those with unexpired business term shall be submitted) One original;
5. Duty-paid proof from the taxation authority One original;
6. Duty-paid proof issued by the customs One original.
7. An original and copy of business licence

Person in charge of application for cancellation: *Qi Zhilan*

Telephone of person in charge of application for cancellation: 3385975

Form for Cancellation of Registration of Enterprises

(to be filled out by the applicant)

Name	<i>Zhanjiang Leizhou Eucalypt Resources Development Co., Ltd.</i>
Domicile	<i>33 Middle Renmin Road, Zhanjiang City</i>
Legal Representative	<i>Chen Deyuan</i>
Term of Operation	<i>From 29 January 1994 to 28 January 2024</i>
Reason for cancellation of registration	<i>No project progress or operation</i>
Department approving cancellation of registration and document No.	
Records of licences and seals returned	One original of Business License of Enterprise as Legal Person; One copy of Business License of Enterprise as Legal Person; Seals (official seals, financial seals, seals for contract, etc.)
Remarks	

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DANIEL E. H. BACH

I, Daniel E. H. Bach, of the City of Toronto, in the Province of Ontario, MAKE OATH

AND SAY:

1. I am a lawyer in the class actions department of Siskinds LLP ("Siskinds"), co-counsel for the Plaintiffs in this proceeding (the "Action"). I have been involved in overseeing the development of the record for the Plaintiffs' Part XXIII.1 leave motion. As such, I have knowledge of the matters to which I hereinafter depose. Where that knowledge is based on information obtained from others, I have so indicated and believe that information to be true.

2. I swear this affidavit in support of the Plaintiffs' motion for an order granting leave to pursue the cause of action available under Part XXIII.1 of the *Securities Act*, RSO 1990, c S.5, as amended (the "OSA").
3. The documents attached to this affidavit are provided on a compact disc as PDFs. That CD is attached hereto as **Exhibit "A."** Documents are numbered below, and can be found on that CD as "A-1 - [description of file].pdf" for Document "1," and so on.

DEFINITIONS

4. Unless otherwise stated or the context otherwise indicates, capitalized terms used in this affidavit have the meanings attributed to them in the Plaintiffs' Statement of Claim dated January 25, 2012 (the "Claim").

STATUS OF THIS ACTION

5. By way of a notice of action issued on June 20, 2011, the Trustees of the Labourers' Pension Fund commenced an action against Sino and certain of the other defendants (the "Labourers' Action") arising out the same allegations as those advanced in this Action.
6. On July 20, 2011, the Trustees of the Labourers' Pension Fund and the Trustees of the International Union of Operating Engineers commenced this Action by way of a notice of action. The notice of action was provided to Sino's counsel and others on July 21, 2011.
7. By way of a notice of action issued on November 14, 2011, Messers. Grant and Wong commenced an action (the "Grant-Wong Action") arising out of the same set of facts against Sino and certain of the other individual and corporate defendants.

8. On December 13, 2011, the plaintiffs in the Grant-Wong Action filed a statement of claim.
9. On January 6, 2012, Justice Perell granted the Plaintiffs carriage of the Action, consolidated the Action and the Grant-Wong Action, and discontinued the Labouers' Action.
10. On direction from court staff, the Plaintiffs filed an amended notice of action and a statement of claim on January 26, 2012. The statement of claim is substantially in the form of the Fresh as Amended Statement of Claim attached to this court's order of January 6, 2012.
11. On August 30, 2011, class counsel provided a statement of claim to counsel that were representing various defendants and began serving the other defendants personally. On September 1, 2011, it was sent to Horsley, Murray, Chan, Poon, Mak, Wang and Martin at Sino's registered address and to Pöyry (Beijing) Consulting Company Limited in China. The following defendants served notices of intent to defend on the dates indicated:

Ernst & Young LLP	September 6, 2011
William E. Ardell, James P. Bowland, James M.E. Hyde and Garry J. West	September 19, 2011
Sino-Forest Corporation	September 22, 2011
David J. Horsley	September 26, 2011
Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World	September 28, 2011

Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd. and Maison Placements Canada Inc. (collectively the “underwriter defendants”)	
Allen T.Y. Chan	November 14, 2011
Simon Murray	January 5, 2012
Edmund Mak	January 27, 2012

12. Affleck Greene McMurtry LLP acts for BDO Limited and accepted service of the amended notice of action and statement of claim on January 31, 2012.
13. Counsel for the underwriter defendants has indicated they are also acting for the defendants Credit Suisse Securities (USA) LLC and Banc of America Securities LLC (whose name has since changed).
14. To date, the Plaintiffs have not been served with a notice of intent to defend from the defendants Banc of America, BDO, Credit Suisse USA, Pöyry, Martin, Poon and Wang.
15. Martin, Poon and Wang are currently senior executives or directors of Sino-Forest and have held such senior positions since at least 2007. Class counsel has made repeated attempts at personal service, alternative service and provided copies of the pleadings by mail.
16. Pöyry (Beijing) Consulting Company Limited has been represented by counsel in Ontario since at least September 14, 2011. John J. Pirie of Baker & McKenzie LLP wrote to class

counsel in respect of the action and advised that Baker & McKenzie LLP would respond once his client was properly served.

17. Class counsel also initiated service under the *Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters* (“*Hague Convention*”) on December 1 and 5, 2011 against Pöyry, Martin, Poon and Wang, but the central authorities in China have not yet confirmed service. These delays in service under the Hague Convention are out of the plaintiffs’ control.
18. To date, none of the Defendants has served a Statement of Defence.

PARALLEL ONTARIO ACTIONS

19. On June 6, 2011, the law firm of Rochon Genova LLP commenced an action (the “Smith Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
20. On September 26, 2011, the law firm of Kim Orr Barristers commenced an action (the “Northwest Action”) against Sino and certain other defendants arising out of the same set of allegations as those advanced in this action.
21. By an order dated January 6, 2012, Justice Perell stayed the Smith Action and the Northwest Action. Carriage of the action has been granted to the Plaintiffs.

PARALLEL QUEBEC ACTION

22. On June 9, 2011, Siskinds Desmeules, a Quebec City law firm affiliated with Siskinds, filed a petition for an order authorizing the bringing of a class action and granting the status of representative in the Quebec Superior Court (the "Quebec Proceeding"). The petition in the Quebec Proceeding defines the proposed Class as:

all persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including March 19, 2007 to and including June 2, 2011.

23. I am advised by Simon Hebert, the lawyer at Siskinds Desmeules with carriage of the Quebec Proceeding, that he anticipates that, prior to the hearing of the Quebec Proceeding, the class definition will be revised so that it is limited to Quebec residents eligible to participate in a class proceeding under the Quebec *Code of Civil Procedure*, which expressly excludes entities employing more than 50 persons from participating in a class proceeding.
24. Taken together, it is our intention that the Quebec Proceeding and this action will pursue claims on behalf of a global class.
25. By virtue of our relationship with Siskinds Desmeules, we believe we can coordinate the progress of the Quebec Proceeding and this action in a complimentary manner.

PARALLEL UNITED STATES ACTION

26. On January 27, 2012, the Washington, DC-based law firm of Cohen Milstein Sellers & Toll PLLC commenced a proposed class action against Sino and certain other defendants in the New York Supreme Court (the "US Action"). The US action defines the Class as:

(i) all persons or entities who, from March 19, 2007 through August 26, 2011 (the "Class Period") purchased the common stock of Sino-Forest on the Over-the-Counter ("OTC") market and who were damaged thereby; and (ii) all persons or entities who, during the Class Period, purchased debt securities issued by Sino-Forest other than in Canada and who were damaged thereby.

PARALLEL SASKATCHEWAN ACTION

27. I understand that the Merchant Law Group LLP commenced a proposed class action against Sino and certain other defendants in the Saskatchewan Court of Queen's Bench styled as *Haigh v. Sino-Forest Corporation*. The class is defined as:

All persons and entities wherever they may reside who acquired securities of Sino during the Class Period either by primary distribution in Canada or an acquisition on the TSX or other secondary market in Canada, other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate family member of an Individual Defendant.

28. I am not aware of any other civil actions having been commenced in Canada or elsewhere against any of the Defendants in relation to the facts pleaded in the Claim.

SINO'S PERFORMANCE FROM INCEPTION THROUGH 2010 COMPARED TO ITS PEERS

29. From 1994 to 2010, Sino's reported annual revenues increased from US\$20.5 million to US\$1.9 billion, or 9,291%, and its year-over-year reported revenues decreased only once,

in 2000. During that same period, Sino's reported net income increased from US\$3.0 million to US\$395.4 million, or 13,037%, and its year-over-year reported net annual income decreased only twice, in 2000 and 2001. Finally, from 1994 to 2010, Sino's reported total assets as at year-end increased from US\$30.6 million to US\$5.7 billion, or 18,616%. During that period, Sino's year-over-year reported assets never decreased.

30. Sino identifies in its Management Information Circulars certain other paper and forest product companies as its "peers." In particular, Sino's most recent Management Information Circular, which has been filed on SEDAR on May 10, 2011, identifies several companies that are purportedly comparable to Sino, among which are: (1) Norbord Inc.; (2) Western Forest Products Inc.; (3) Ainsworth Lumber Co., Ltd.; (4) Mercer International Inc.; and (5) International Forest Products Limited.
31. For none of the sixty quarters comprising the years 1996 to 2010 did Sino report a net loss; rather, for 100% of all such quarters, Sino reported significant net income.
32. By contrast, Norbord Inc. reported a net loss with respect to 37% of the quarters for which it disclosed results during the period 1996 to 2010. For Western Forest Products Inc., Ainsworth Lumber Company Ltd., Mercer International Inc. and International Forest Products Limited, the figure was, respectively, 63%, 49%, 54% and 39%.
33. On instructions from myself and other members of the Siskinds team prosecuting this matter, Sajjad Nematollahi, an articling student with Siskinds' Class Actions Department, has retrieved relevant information from Sino's peer companies' public disclosure filings, and has compiled a chart summarizing their quarterly earnings (or losses) from 1996 through 2010. A copy of that chart is attached hereto as **Document "A-1"**.

SINO DOCUMENTS FILED ON SEDAR

34. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter, a law clerk at Siskinds, retrieved the following documents from The System for Electronic Document Analysis and Retrieval (“SEDAR”). SEDAR is a website that provides electronic access to documents filed pursuant to Canadian securities laws.
35. Attached hereto as **Document “A-2”** is a copy of Sino’s Annual Information Form (“AIF”) for the year 1996 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 20, 1997.
36. Attached hereto as **Document “A-3”** is a copy of Sino’s Management Information Circular dated May 9, 1997 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 20, 1997.
37. Attached hereto as **Document “A-4”** is a copy of Sino’s Annual Report for the year 1996 which was downloaded from SEDAR. This document contains that year’s annual Management’s Discussion and Analysis (“MD&A”) and audited financial statements. SEDAR indicates that document was filed on May 20, 1997.
38. Attached hereto as **Document “A-5”** is a copy of Sino’s Interim Financial Statements for Q3 1997 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 28, 1997.
39. Attached hereto as **Document “A-6”** is a copy of Sino’s AIF for the year 1997 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 25, 1998.

40. Attached hereto as **Document "A-7"** is a copy of Sino's Annual Report for the year 1997 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on June 4, 1998.
41. Attached hereto as **Document "A-8"** is a copy of Sino's Annual Report for the year 1998 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that a copy of that document was filed on May 18, 1999 and another copy was filed on May 19, 1999.
42. Attached hereto as **Document "A-9"** is a copy of Sino's Management Information Circular dated April 30, 1999 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 18, 1999.
43. Attached hereto as **Document "A-10"** is a copy of Sino's AIF for the year 1998 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 19, 1999.
44. Attached hereto as **Document "A-11"** is a copy of Sino's AIF for the year 1999 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 18, 2000.
45. Attached hereto as **Document "A-12"** is a copy of Sino's Annual Report for the year 1999 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 24, 2000.

46. Attached hereto as **Document "A-13"** is a copy of Sino's Management Information Circular dated April 30, 2000 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 24, 2000.
47. Attached hereto as **Document "A-14"** is a copy of Sino's AIF for the year 2000 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 16, 2001.
48. Attached hereto as **Document "A-15"** is a copy of Sino's Annual Report for the year 2000 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 17, 2001.
49. Attached hereto as **Document "A-16"** is a copy of Sino's Management Information Circular dated April 26, 2001 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 17, 2001.
50. Attached hereto as **Document "A-17"** is a copy of Sino's AIF for the year 2001 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 17, 2002.
51. Attached hereto as **Document "A-18"** is a copy of Sino's Management Information Circular dated May 14, 2002 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 17, 2002.
52. Attached hereto as **Document "A-19"** is a copy of Sino's Annual Report for the year 2001 which was downloaded from SEDAR. This document contains that year's annual

MD&A and audited financial statements. SEDAR indicates that document was filed on May 17, 2002.

53. Attached hereto as **Document "A-20"** is a copy of Sino's AIF for the year 2002 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 20, 2003.
54. Attached hereto as **Document "A-21"** is a copy of Sino's Management Information Circular dated May 15, 2003 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 20, 2003.
55. Attached hereto as **Document "A-22"** is a copy of Sino's Annual Report for the year 2002 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 20, 2003.
56. Attached hereto as **Document "A-23"** is a copy of Sino's Management Information Circular dated May 10, 2004 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 18, 2004.
57. Attached hereto as **Document "A-24"** is a copy of Sino's Annual Report for the year 2003 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 18, 2004.
58. Attached hereto as **Document "A-25"** is a copy of Sino's AIF for the year 2003 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 19, 2004.

59. Attached hereto as **Document “A-26”** is a copy of Sino’s AIF for the year 2004 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2005.
60. Attached hereto as **Document “A-27”** is a copy of Sino’s Management Information Circular dated April 15, 2005 which was downloaded from SEDAR. SEDAR indicates that document was filed on April 25, 2005.
61. Attached hereto as **Document “A-28”** is a copy of Sino’s Annual Report for the year 2004 which was downloaded from SEDAR. This document contains that year’s annual MD&A and audited financial statements. SEDAR indicates that document was filed on April 25, 2005.
62. Attached hereto as **Document “A-29”** is a copy of Sino’s AIF for the year 2005 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2006.
63. Attached hereto as **Document “A-30”** is a copy of Sino’s First Quarter Report for 2006 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2006.
64. Attached hereto as **Document “A-31”** is a copy of Sino’s Management Information Circular dated May 8, 2006 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2006.
65. Attached hereto as **Document “A-32”** is a copy of Sino’s Annual Report for the year 2005 which was downloaded from SEDAR. This document contains that year’s annual

MD&A and audited financial statements. SEDAR indicates that document was filed on May 12, 2006.

66. Attached hereto as **Document "A-33"** is a copy of Sino's press release entitled "Sino-Forest to Raise US\$200 million in Strategic Placement – Sino-Forest to Acquire 200,000 Hectares of Standing Timber in Yunnan Province," dated March 23, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed in March 23, 2007. This document was also filed as a material change report on April 2, 2007.
67. Attached hereto as **Document "A-34"** is a copy of Sino's AIF for the year 2006 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 30, 2007.
68. Attached hereto as **Document "A-35"** is a copy of Allen Chan's certification of Annual Filings for the year 2006 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 30, 2007.
69. Attached hereto as **Document "A-36"** is a copy of David Horsley's certification of Annual Filings for the year 2006 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 30, 2007.
70. Attached hereto as **Document "A-37"** is a copy of Sino's Management Information Circular dated April 27, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 4, 2007.
71. Attached hereto as **Document "A-38"** is a copy of Sino's Annual Report for the year 2006 which was downloaded from SEDAR. This document contains that year's annual

MD&A and audited financial statements. SEDAR indicates that document was filed on May 4, 2007.

72. Attached hereto as **Document "A-39"** is a copy of Sino's MD&A and Interim Financial Statements for Q1 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 14, 2007.
73. Attached hereto as **Document "A-40"** is a copy of Allen Chan's certification of Interim Filings for Q1 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 14, 2007.
74. Attached hereto as **Document "A-41"** is a copy of David Horsley's certification of Interim Filings for Q1 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 14, 2007.
75. Attached hereto as **Document "A-42"** is a copy of Sino's Short Form Prospectus dated June 5, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 5, 2007.
76. Attached hereto as **Document "A-43"** is a copy of Sino's MD&A and Interim Financial Statements for Q2 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 13, 2007.
77. Attached hereto as **Document "A-44"** is a copy of Allen Chan's certification of Interim Filings for Q2 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 13, 2007.

78. Attached hereto as **Document "A-45"** is a copy of David Horsley's certification of Interim Filings for Q2 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 13, 2007.
79. Attached hereto as **Document "A-46"** is a copy of Sino's MD&A and Interim Financial Statements for Q3 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2007.
80. Attached hereto as **Document "A-47"** is a copy of Allen Chan's certification of Interim Filings for Q3 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2007.
81. Attached hereto as **Document "A-48"** is a copy of David Horsley's certification of Interim Filings for Q3 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2007.
82. Attached hereto as **Document "A-49"** is a copy of Sino's press release entitled "Sino-Forest Signs Long-Term Standing Timber Agreement in Guangxi Province," dated December 10, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on December 10, 2007.
83. Attached hereto as **Document "A-50"** is a copy of Sino's MD&A for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 18, 2008.
84. Attached hereto as **Document "A-51"** is a copy of Allen Chan's certification of Annual Filings for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 18, 2008.

85. Attached hereto as **Document “A-52”** is a copy of David Horsley’s certification of Annual Filings for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 18, 2008.
86. Attached hereto as **Document “A-53”** is a copy of Sino’s AIF for the year ended 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 28, 2008.
87. Attached hereto as **Document “A-54”** is a copy of Sino’s MD&A (as amended) for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 28, 2008.
88. Attached hereto as **Document “A-55”** is a copy of Allen Chan’s certification of Annual Filings for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 28, 2008.
89. Attached hereto as **Document “A-56”** is a copy of David Horsley’s certification of Annual Filings for the year 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 28, 2008.
90. Attached hereto as **Document “A-57”** is a copy of Sino’s Management Information Circular dated April 28, 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 6, 2008.
91. Attached hereto as **Document “A-58”** is a copy of Sino’s Annual Report for the year 2007 which was downloaded from SEDAR. This document contains that year’s annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 6, 2008.

92. Attached hereto as **Document "A-59"** is a copy of Sino's MD&A and Interim Financial Statements for Q1 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 13, 2008.
93. Attached hereto as **Document "A-60"** is a copy of Allen Chan's certification of Interim Filings for Q1 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 13, 2008.
94. Attached hereto as **Document "A-61"** is a copy of David Horsley's certification of Interim Filings for Q1 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 13, 2008.
95. Attached hereto as **Document "A-62"** is a copy of Sino's July 2008 Offering Memorandum dated July 17, 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed as a schedule to a material change report on July 25, 2008.
96. Attached hereto as **Document "A-63"** is a copy of Sino's press release entitled "Sino-Forest Signs Long-Term Tree Acquisition Agreement in Fujian Province," dated August 11, 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 11, 2008.
97. Attached hereto as **Document "A-64"** is a copy of Sino's MD&A and Interim Financial Statements for Q2 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 12, 2008.

98. Attached hereto as **Document “A-65”** is a copy of Allen Chan’s certification of Interim Filings for Q2 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 12, 2008.
99. Attached hereto as **Document “A-66”** is a copy of David Horsley’s certification of Interim Filings for Q2 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 12, 2008.
100. Attached hereto as **Document “A-67”** is a copy of Sino’s MD&A and Interim Financial Statements for Q3 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 13, 2008.
101. Attached hereto as **Document “A-68”** is a copy of Allen Chan’s certification of Interim Filings for Q3 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 13, 2008.
102. Attached hereto as **Document “A-69”** is a copy of David Horsley’s certification of Interim Filings for Q3 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 13, 2008.
103. Attached hereto as **Document “A-70”** is a copy of Sino’s press release entitled “Sino-Forest Increases Investment in Omnicorp Limited; Expanding Foothold in South American Tropical Forest,” dated February 6, 2009 which was downloaded from SEDAR. This document was also filed as a material change report on February 13, 2009.
104. Attached hereto as **Document “A-71”** is a copy of Sino’s MD&A for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 16, 2009.

105. Attached hereto as **Document "A-72"** is a copy of Allen Chan's certification of Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 16, 2009.
106. Attached hereto as **Document "A-73"** is a copy of David Horsley's certification of Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 16, 2009.
107. Attached hereto as **Document "A-74"** is a copy of Sino's MD&A (as amended) for the year ended 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 17, 2009.
108. Attached hereto as **Document "A-75"** is a copy of Allen Chan's certification of refilled Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 17, 2009.
109. Attached hereto as **Document "A-76"** is a copy of David Horsley's certification of refilled Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 17, 2009.
110. Attached hereto as **Document "A-77"** is a copy of Sino's AIF for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2009.
111. Attached hereto as **Document "A-78"** is a copy of Allen Chan's certification of Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2009.

112. Attached hereto as **Document “A-79”** is a copy of David Horsley’s certification of Annual Filings for the year 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2009.
113. Attached hereto as **Document “A-80”** is a copy of Sino’s Management Information Circular dated April 28, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 4, 2009.
114. Attached hereto as **Document “A-81”** is a copy of Sino’s Annual Report for the year 2008 which was downloaded from SEDAR. This document contains that year’s annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 4, 2009.
115. Attached hereto as **Document “A-82”** is a copy of Sino’s MD&A and Interim Financial Statements for Q1 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2009.
116. Attached hereto as **Document “A-83”** is a copy of Allen Chan’s certification of Interim Filings for Q1 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2009.
117. Attached hereto as **Document “A-84”** is a copy of David Horsley’s certification of Interim Filings for Q1 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2009.
118. Attached hereto as **Document “A-85”** is a copy of Sino’s Final Short Form Prospectus dated June 1, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 1, 2009.

119. Attached hereto as **Document "A-86"** is a copy of Sino's press release entitled "Sino-Forest Signs Long-Term Tree Acquisition Agreement in Jiangxi Province," dated June 11, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 11, 2009.
120. Attached hereto as **Document "A-87"** is a copy of Sino's June 2009 Exchange Offer Memorandum dated June 24, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed as a schedule to a material change report on June 25, 2009.
121. Attached hereto as **Document "A-88"** is a copy of Sino's MD&A and Interim Financial Statements for Q2 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2009.
122. Attached hereto as **Document "A-89"** is a copy of Allen Chan's certification of Interim Filings for Q2 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2009.
123. Attached hereto as **Document "A-90"** is a copy of David Horsley's certification of Interim Filings for Q2 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2009.
124. Attached hereto as **Document "A-91"** is a copy of Sino's MD&A and Interim Financial Statements for Q3 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2009.

125. Attached hereto as **Document “A-92”** is a copy of Allen Chan’s certification of Interim Filings for Q3 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2009.
126. Attached hereto as **Document “A-93”** is a copy of David Horsley’s certification of Interim Filings for Q3 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 12, 2009.
127. Attached hereto as **Document “A-94”** is a copy of Sino’s Final Short Form Prospectus dated December 10, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on December 11, 2009.
128. Attached hereto as **Document “A-95”** is a copy of Sino’s December 2009 Offering Memorandum dated December 10, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on December 11, 2009.
129. Attached hereto as **Document “A-96”** is a copy of Sino’s press release entitled “Sino-Forest Acquires Homix Limited, an R&D and Recomposed Wood Manufacturer in China,” dated January 12, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on January 12, 2010.
130. Attached hereto as **Document “A-97”** is a copy of Sino’s press release entitled “Sino-Forest Signs Long-Term Master Agreement to Acquire Trees in Guizhou Province,” dated January 28, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on January 28, 2010.
131. Attached hereto as **Document “A-98”** is a copy of Sino’s press release entitled “Sino-Forest Completes Acquisition of Mandra Forestry,” dated February 8, 2010 which was

downloaded from SEDAR. This document was also filed as a material change report on SEDAR on February 16, 2010.

132. Attached hereto as **Document "A-99"** is a copy of Sino's AIF for the year 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2010.
133. Attached hereto as **Document "A-100"** is a copy of Allen Chan's certification of Annual Filings for the year 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2010.
134. Attached hereto as **Document "A-101"** is a copy of David Horsley's certification of Annual Filings for the year 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2010.
135. Attached hereto as **Document "A-102"** is a copy of Sino's Management Information Circular dated May 4, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 11, 2010.
136. Attached hereto as **Document "A-103"** is a copy of Sino's Annual Report for the year 2009 which was downloaded from SEDAR. This document contains that year's annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 11, 2010.
137. Attached hereto as **Document "A-104"** is a copy of Sino's MD&A and Interim Financial Statements for Q1 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 12, 2010.

138. Attached hereto as **Document “A-105”** is a copy of Allen Chan’s certification of Interim Filings for Q1 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 12, 2010.
139. Attached hereto as **Document “A-106”** is a copy of David Horsley’s certification of Interim Filings for Q1 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 12, 2010.
140. Attached hereto as **Document “A-107”** is a copy of Sino’s press release entitled “Sino-Forest Completes Acquisition of Minority Interest in Greenheart Resources,” dated June 1, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 1, 2010.
141. Attached hereto as **Document “A-108”** is a copy of Sino’s press release entitled “Sino-Forest Increases Investment in Hong Kong-Listed Omnicorp; Enhances Existing Partnership to Serve China’s Wood Deficit,” dated June 22, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 22, 2010.
142. Attached hereto as **Document “A-109”** is a copy of Sino’s MD&A and Interim Financial Statements for Q2 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2010.
143. Attached hereto as **Document “A-110”** is a copy of Allen Chan’s certification of Interim Filings for Q2 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2010.

144. Attached hereto as **Document "A-111"** is a copy of David Horsley's certification of Interim Filings for Q2 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 10, 2010.
145. Attached hereto as **Document "A-112"** is a copy of Sino's press release entitled "Sino-Forest Acquires New Zealand Plantation and Intends to Transfer 100% Ownership to Omnicorp," dated November 2, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 2, 2010.
146. Attached hereto as **Document "A-113"** is a copy of Sino's MD&A for Q3 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 10, 2010.
147. Attached hereto as **Document "A-114"** is a copy of Sino's Interim Financial Statements for Q3 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 10, 2010.
148. Attached hereto as **Document "A-115"** is a copy of Allen Chan's certification of Interim Filings for Q3 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 10, 2010.
149. Attached hereto as **Document "A-116"** is a copy of David Horsley's certification of Interim Filings for Q3 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 10, 2010.
150. Attached hereto as **Document "A-117"** is a copy of Sino's AIF for the year 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2011.

151. Attached hereto as **Document “A-118”** is a copy of Allen Chan’s certification of Annual Filings for the year 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2011.
152. Attached hereto as **Document “A-119”** is a copy of David Horsley’s certification of Annual Filings for the year 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2011.
153. Attached hereto as **Document “A-120”** is a copy of Sino’s Management Information Circular dated May 2, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 10, 2011.
154. Attached hereto as **Document “A-121”** is a copy of Sino’s Annual Report for the year 2010 which was downloaded from SEDAR. This document contains that year’s annual MD&A and audited financial statements. SEDAR indicates that document was filed on May 10, 2011.
155. Attached hereto as **Document “A-122”** is a copy of Sino’s press release entitled “Sino-Forest Signs Long-Term Master Agreements to Acquire 266,000 Hectares of Plantation Forests in Shaanxi and Yunnan Provinces,” dated May 30, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on May 31, 2011.
156. Attached hereto as **Document “A-123”** is a copy of Sino’s press release entitled “Sino-Forest Comments on Share Price Decline,” dated June 3, 2011 which was downloaded from SEDAR. This document was filed on SEDAR as a material change report on June 15, 2011.

157. Attached hereto as **Document "A-124"** is a copy of Sino's press release entitled "Sino-Forest Releases Supporting Evidence against Allegations from Short Seller," dated June 6, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 6, 2011.
158. Attached hereto as **Document "A-125"** is a copy of Sino's press release entitled "Sino-Forest Independent Committee Appoints Pricewaterhousecoopers," dated June 6, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 7, 2011.
159. Attached hereto as **Document "A-126"** is a copy of Sino's press release entitled "Sino-Forest Confirms Ontario Securities Commission Investigation," dated June 8, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 8, 2011.
160. Attached hereto as **Document "A-127"** is a copy of Sino's MD&A for Q1 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 14, 2011.
161. Attached hereto as **Document "A-128"** is a copy of Sino's Interim Financial Statements for Q1 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 14, 2011.
162. Attached hereto as **Document "A-129"** is a copy of Allen Chan's certification of Interim Filings for Q1 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 14, 2011.

163. Attached hereto as **Document “A-130”** is a copy of David Horsley’s certification of Interim Filings for Q1 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 14, 2011.
164. Attached hereto as **Document “A-131”** is a copy of Sino’s press release entitled “Sino-Forest Responds to the Globe and Mail Article,” dated June 20, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 20, 2011.
165. Attached hereto as **Document “A-132”** is a copy of Sino’s MD&A for Q2 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 15, 2011.
166. Attached hereto as **Document “A-133”** is a copy of Sino’s Interim Financial Statements for Q2 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 15, 2011.
167. Attached hereto as **Document “A-134”** is a copy of Allen Chan’s certification of Interim Filings for Q2 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 15, 2011.
168. Attached hereto as **Document “A-135”** is a copy of David Horsley’s certification of Interim Filings for Q2 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 15, 2011.
169. Attached hereto as **Document “A-136”** is a copy of Sino’s press release entitled “Sino-Forest Announces Repayment of 9.125% Guaranteed Senior Notes Due 2011,” dated August 15, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on August 15, 2011.

170. Attached hereto as **Document "A-137"** is a copy of Sino's press release entitled "Sino-Forest Announces the Resignation of Allen Chan as Chairman and Chief Executive Officer and his Appointment as Founding Chairman Emeritus," dated August 28, 2011. SEDAR indicates that document was filed on August 29, 2011. This document was also filed on SEDAR as a material change report on September 6, 2011.
171. Attached hereto as **Document "A-138"** is a copy of Sino's press release entitled "Sino-Forest Responds to Request to Commence Action against Certain Insiders and Others," dated October 14, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on October 14, 2011.
172. Attached hereto as **Document "A-139"** is a copy of Sino's press release entitled "Sino-Forest Confirms Coupon Payment of 6.25% Guaranteed Senior Notes Due 2017," dated October 21, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on October 21, 2011.
173. Attached hereto as **Document "A-140"** is a copy of Sino's press release entitled "Sino-Forest Announces Resignation of Director," dated November 4, 2011 which was downloaded from SEDAR. SEDAR indicates that document was filed on November 7, 2011.
174. Attached hereto as **Document "A-141"** is a copy of Sino's press release entitled "Sino-Forest Announces Findings of the Independent Committee," dated November 15, 2011 which was downloaded from SEDAR. This document was also filed on SEDAR as a material change report on November 22, 2011.

175. Attached hereto as **Document “A-142”** is a copy of Sino’s press release entitled “Sino-Forest Updates Status of its Third Quarter Financial Results and Certain Other Matters,” dated December 12, 2011 which was downloaded from SEDAR. This document was also filed on SEDAR as a material change report on December 13, 2011.
176. Attached hereto as **Document “A-143”** is a copy of Sino’s press release entitled “Sino-Forest Corporation Receives Notice of Default and Forms Special Restructuring Committee,” dated December 18, 2011 which was downloaded from SEDAR. SEDAR indicates this document was filed on December 19, 2011.
177. Attached hereto as **Document “A-144”** is a copy of Sino’s press release entitled “Sino-Forest Provides Update Regarding Note Holder Default Notices and Comments on the Status of its Historic Financial Statements,” dated January 10, 2012 which was downloaded from SEDAR. This document was also filed on SEDAR as a material change report on January 17, 2012.
178. Attached hereto as **Document “A-145”** is a copy of the waiver agreement relating to Sino’s 6.25% Guaranteed Senior Notes Due 2017 which was downloaded from SEDAR. SEDAR indicates that document was filed on January 12, 2012.
179. Attached hereto as **Document “A-146”** is a copy of the waiver agreement relating to Sino’s 10.25% Guaranteed Senior Notes Due 2014 which was downloaded from SEDAR. SEDAR indicates that document was filed on January 12, 2012.
180. Attached hereto as **Document “A-147”** is a copy of Sino’s press release entitled “Sino-Forest Corporation’s Noteholders Waive Default under Senior Notes on Agreed Terms,”

dated January 12, 2012 which was downloaded from SEDAR. SEDAR indicates that document was filed on January 12, 2012.

181. Attached hereto as **Document "A-148"** is a copy of Sino's press release entitled "Sino-Forest Releases Final Report of the Independent Committee," dated January 31, 2012 which was downloaded from SEDAR. This document was also filed on SEDAR as a material change report on February 7, 2012.

SINO DOCUMENTS OBTAINED THROUGH OTHER MEANS

182. Attached hereto as **Document "A-149"** is a copy of Sino's Management Information Circular dated February 11, 1994. This document has been obtained by the Hong Kong-based investigators Key Business Connections Ltd. ("KBC") for Siskinds.
183. Attached hereto as **Document "A-150"** is a copy of Sino's Annual Report for the year 1994. This document has been obtained by KBC for Siskinds.
184. Attached hereto as **Document "A-151"** is a copy of Sino's Management Information Circular dated May 15, 1995. This document has been obtained by KBC for Siskinds.
185. Attached hereto as **Document "A-152"** is a copy of Sino's Annual Report for the year 1995. This document has been obtained by KBC for Siskinds.
186. Attached hereto as **Document "A-153"** is a copy of Sino's AIF for the year 1995, dated May 15, 1996. This document has been obtained by KBC for Siskinds.
187. Attached hereto as **Document "A-154"** is a copy of Sino's Management Information Circular dated May 30, 1996. This document has been obtained by KBC for Siskinds.

188. Attached hereto as **Document “A-155”** is a copy of Sino’s Final Prospectus dated January 28, 1997. This document has been obtained by KBC for Siskinds.
189. Attached hereto as **Document “A-156”** is a copy of Sino’s Management Information Circular dated May 4, 1998. This document has been obtained by KBC for Siskinds.
190. Attached hereto as **Document “A-157”** is a copy of the October 2010 Offering Memorandum dated October 14, 2010. This document has been obtained by Siskinds through a freedom of information application to the Ontario Ministry of Finance.
191. Attached hereto as **Document “A-158”** is a copy of a press release titled “Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname,” dated March 1, 2011 which was downloaded from <http://www.greenheartgroup.com>.
192. Attached hereto as **Document “A-159”** is a copy of Sino’s Corporate Presentation relating to Q1 2011 results entitled “Growing Intelligently,” dated June 14, 2011 which was downloaded from Sino’s website.

SINO’S INDEPENDENT COMMITTEE REPORTS AND SCHEDULES

193. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved the following documents from Sino’s website.
194. Attached hereto as **Document “A-160”** is a copy of the First Interim Report of the Independent Committee (“IC”) to the Board of Directors of Sino-Forest Corporation (“First Interim Report”), dated August 10, 2011.

195. Attached hereto as **Document “A-161”** is a redacted copy of the Second Interim Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation (“Second Interim Report”), dated November 13, 2011.
196. Attached hereto as **Document “A-162”** are copies of the schedules to the IC’s Second Interim Report, along with an index.
197. Attached hereto as **Document “A-163”** is a copy of the memorandum by Sino’s IC’s legal advisors, entitled “Report on Process to Date,” dated November 13, 2011. This document was downloaded from SEDAR. SEDAR indicates that document was filed on November 15, 2011.
198. Attached hereto as **Document “A-164”** is a copy of The Final Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation (“Final Report”), dated January 31, 2012.

PÖYRY’S REPORTS AND CONSENT LETTERS

199. Unless otherwise indicated, on instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved the following documents from SEDAR.
200. Attached hereto as **Document “A-165”** is a copy of Pöyry’s report entitled “Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2007,” dated March 14, 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2008.

201. Attached hereto as **Document "A-166"** is a copy of Pöyry's report entitled "Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2008," dated April 1, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on April 2, 2009.
202. Attached hereto as **Document "A-167"** is a copy of Pöyry's report entitled "Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2009," dated April 23, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on April 30, 2010.
203. Attached hereto as **Document "A-168"** is a copy of Pöyry's report entitled "Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports," dated May 27, 2011 which I downloaded from Pöyry's website on June 3, 2011. It appears that Pöyry has since deleted this document down from its website.
204. Attached hereto as **Document "A-169"** is a copy of the document entitled "Summary Valuation Report, Sino-Forest Corporation, Valuation of Purchased Forest Crops as at 31 December 2010," dated May 27, 2011 which I downloaded from Pöyry's website on June 3, 2011. It appears that Pöyry has since deleted this document down from its website.
205. Attached hereto as **Document "A-170"** is a copy of Pöyry's report entitled "Stakeholder and Analyst Summary Report, Sino-Forest Corporation, Valuation of China Planted Forest Crops as at 31 December 2010," dated May 27, 2011 which I downloaded from Pöyry's website on June 3, 2011. It appears that Pöyry has since deleted this document down from its website.

206. Attached hereto as **Document “A-171”** is a copy of Pöyry’s report entitled “Stakeholder and Analyst Summary Report, Sino-Forest Corporation, Background Papers Accompanying the 31 December 2011 [sic.] Valuation of Sino-Forest’s China Forest Assets,” dated May 27, 2011 which I downloaded from Pöyry’s website on June 3, 2011. It appears that Pöyry has since deleted this document down from its website.
207. Attached hereto as **Document “A-172”** is a copy of Pöyry’s report entitled “Summary Valuation Report, Sino-Forest Corporation, Valuation of Mandra Forest Crops as at 31 December 2010,” dated May 31, 2011 which I downloaded from Pöyry’s website on June 3, 2011. It appears that Pöyry has since deleted this document down from its website.
208. Attached hereto as **Document “A-173”** is a copy of Pöyry’s consent letter dated March 15, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 28, 2007.
209. Attached hereto as **Document “A-174”** is a copy of Pöyry’s consent letter dated June 5, 2007 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 5, 2007.
210. Attached hereto as **Document “A-175”** is a copy of Pöyry’s consent letter dated March 14, 2008 which was downloaded from SEDAR. SEDAR indicates that document was filed on March 31, 2008.
211. Attached hereto as **Document “A-176”** is a copy of Pöyry’s consent letter dated April 1, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on April 2, 2009.

212. Attached hereto as **Document “A-177”** is a copy of Pöyry’s consent letter dated June 1, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on June 1, 2009.
213. Attached hereto as **Document “A-178”** is a copy of Pöyry’s consent letter dated December 10, 2009 which was downloaded from SEDAR. SEDAR indicates that document was filed on December 11, 2009.
214. Attached hereto as **Document “A-179”** is a copy of Pöyry’s consent letter dated April 30, 2010 which was downloaded from SEDAR. SEDAR indicates that document was filed on April 30, 2010.

MUDDY WATERS’ REPORTS AND SCHEDULES

215. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved the following documents from Muddy Waters’ website. Where I describe the content of a document below, and that document is not in English, I assume that Muddy Waters’ description is correct. Where documents below are translated, that translation was done by Muddy Waters.
216. Attached hereto as **Document “A-180”** is a copy of the Muddy Waters’ Report, dated June 2, 2011, retrieved from the Muddy Waters’ website.
217. Attached hereto as **Document “A-181”** are copies of the appendices A1 through K6 to the Muddy Waters’ Report, which are identified at the bottom of each page. These documents were retrieved from Muddy Waters’ website. Where these documents are translated, that translation was done by Muddy Waters.

218. Attached hereto as **Document “A-182”** is a copy of the document entitled “Muddy Waters’ Reaction to TRE Q1 2011 Conference Call,” dated June 14, 2011, retrieved from the Muddy Waters’ website.
219. Attached hereto as **Document “A-183”** is a copy of the document entitled “The Ties that Blind – Part 1,” retrieved from the Muddy Waters’ website.

INTER-AMERICAN COURT OF HUMAN RIGHTS’ DECISION

220. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved a copy of the judgment of the Inter-American Court of Human Rights in the case of the *Saramaka People v. Suriname*, dated November 28, 2007, a copy of which is attached hereto as **Document “A-184”**.

ONTARIO SECURITIES COMMISSION’S CEASE TRADE ORDERS

221. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved the following documents from the Ontario Securities Commission’s (“OSC”) website.
222. Attached hereto as **Document “A-185”** is a copy of the Temporary Cease Trade Order, dated August 26, 2011.
223. Attached hereto as **Document “A-186”** is a copy of the Cease Trade Order, dated August 26, 2011.

224. Attached hereto as **Document “A-187”** is a copy of the Temporary Cease Trade Order, dated September 8, 2011.
225. Attached hereto as **Document “A-188”** is a copy of the Cease Trade Order, dated September 15, 2011.
226. Attached hereto as **Document “A-189”** is a copy of the Temporary Cease Trade Order, dated January 23, 2012.

DOCUMENTS FROM ONTARIO SECURITIES COMMISSION’S PROCEEDINGS

227. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter obtained the following documents relating to the Sino proceedings before the OSC.
228. Attached hereto as **Document “A-190”** is a copy of the affidavit of Anthony Long in the matter of Sino-Forest Corporation et al., sworn September 7, 2011.
229. Attached hereto as **Document “A-191”** is a copy of the transcript of the OSC hearing in the matter of Sino-Forest Corporation et al., dated September 8, 2011.

SINO MANAGEMENT’S CONFERENCE CALLS

230. On instructions from myself and other members of the Siskinds team prosecuting this matter, Michael McApline, a librarian at Siskinds, retrieved the following documents from online databases.

231. Attached hereto as **Document “A-192”** is a copy of the transcript of the forest valuation report discussion conference call hosted jointly by Sino and Pöyry on June 1, 2011.
232. Attached hereto as **Document “A-193”** is a copy of the transcript of Sino’s conference call to discuss Q1 2011 financial results held on June 14, 2011.

SINO SHARES’ TRADING HISTORY

233. On instructions from myself and other members of the Siskinds team prosecuting this matter, Michael McApline retrieved the TSX data on Sino shares’ trading history from March 23, 1994 through August 25, 2011, attached hereto as **Document “A-194”**.

INFORMATION OBTAINED FROM SEDI

234. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved the following document from The System for Electronic Disclosure by Insiders (“SEDI”).
235. Attached hereto as **Document “A-195”** is a document containing information on Sino’s insiders’ trading activities during the Class Period which was downloaded from SEDI.

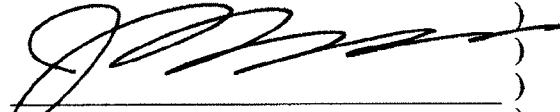
NEWSPAPER ARTICLES

236. On instructions from myself and other members of the Siskinds team prosecuting this matter, Laura-Marie Paynter retrieved copies of the following articles.

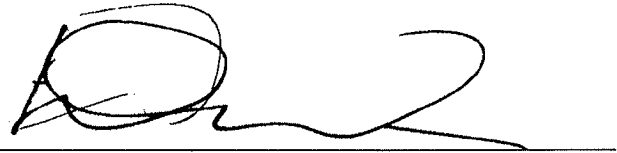
237. Attached hereto as **Document "A-196"** is a copy of the South China Morning Post article entitled "Hard Work Pays off for 'Vicious' Akai Liquidator," dated October 6, 2009 which was downloaded from the internet.
238. Attached hereto as **Document "A-197"** is a copy of the Globe and Mail Article entitled "Key partner casts doubt on Sino-Forest claim," dated June 18, 2011 which was downloaded from the Globe and Mail website.
239. Attached hereto as **Document "A-198"** is a copy of the Globe and Mail Article entitled "On the trail of the truth behind Sino-Forest," dated June 19, 2011 which was downloaded from the Globe and Mail website.
240. Attached hereto as **Document "A-199"** is a copy of the Globe and Mail Article entitled "The empire Sino-Forest built and the farmers who paid the price," dated October 15, 2011 which was downloaded from the Globe and Mail website.
241. Attached hereto as **Document "A-200"** is a copy of the article entitled "Sino-Forest chairman rises to company's defense," dated February 15, 2012 which was downloaded from the Working Forest website.
242. Attached hereto as **Document "A-201"** is a copy of the Globe and Mail Article entitled, "Canadian audits of China firms had major gaps: regulator," dated February 21, 2012 which was downloaded from the Globe and Mail website.

243. Attached hereto as **Document "A-202"** is a copy of the Canadian Public Accountability Board report of February 2012 entitled "Auditing in Foreign Jurisdictions," referenced in the article noted in the preceding paragraph.

SWORN before me at the City of)
Toronto, in the Province of Ontario,)
this 2nd day of March, 2012.)



A Commissioner, etc.
Jonathan Bida



Daniel E. H. Bach

TRUSTEES OF THE LABOURERS' PENSION FUND and SINO-FOREST CORPORATION *et al.*
OF CENTRAL AND EASTERN CANADA *et al.*
Plaintiffs Defendants

Court File No: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DANIEL E. H. BACH

Siskinds LLP

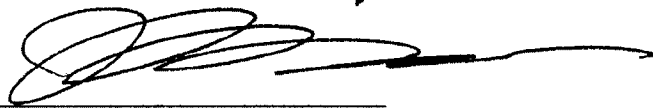
Barristers & Solicitors
680 Waterloo Street
London, ON N6A 3V8
A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3
Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

This is Exhibit "A" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of March, 2012.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

A Commissioner, etc.

INDEX OF DOCUMENTS IN AFFIDAVIT OF DANIEL BACH

(Inserted for convenience)

Sino's Earnings From 1996-2010	
1	Chart of Sino quarterly earnings (or losses), 1996- 2010
Sino Documents Filed on SEDAR	
2	1996 Annual Information Form
3	Management Information Circular dated May 9, 1997
4	1996 Annual Report
5	Q3 1997 Interim Financial Statements
6	1997 Annual Information Form
7	1997 Annual Report
8	1998 Annual Report
9	Management Information Circular dated April 30, 1999
10	1998 Annual Information Form
11	1999 Annual Information Form
12	1999 Annual Report
13	Management Information Circular dated April 30, 2000
14	2000 Annual Information Form
15	2000 Annual Report
16	Management Information Circular dated April 26, 2001
17	2001 Annual Information Form
18	Management Information Circular dated May 14, 2002
19	2001 Annual Report
20	2002 Annual Information Form
21	Management Information Circular dated May 15, 2003
22	2002 Annual Report
23	Management Information Circular dated May 10, 2004
24	2003 Annual Report
25	2003 Annual Information Form
26	2004 Annual Information Form
27	Management Information Circular dated April 15, 2005
28	2004 Annual Report
29	2005 Annual Information Form
30	Q1 2006 Report

31	Management Information Circular dated May 8, 2006
32	2005 Annual Report
33	Press release: "Sino-Forest to Raise US\$200 million in Strategic Placement – Sino-Forest to Acquire 200,000 Hectares of Standing Timber in Yunnan Province," dated March 23, 2007
34	2006 Annual Information Form
35	Allen Chan's certification of 2006 Annual Filings
36	David Horsley's certification of 2006 Annual Filings
37	Management Information Circular dated April 27, 2007
38	2006 Annual Report
39	Q1 2007 Management Discussion and Analysis and Interim Financial Statements
40	Allen Chan's certification of Q1 2007 Interim Filings
41	David Horsley's certification of Q1 2007 Interim Filings
42	Short Form Prospectus dated June 5, 2007
43	Q2 2007 Management Discussion and Analysis and Interim Financial Statements
44	Allen Chan's certification of Q2 2007 Interim Filings
45	David Horsley's certification of Q2 2007 Interim Filings
46	Q3 2007 Management Discussion and Analysis and Interim Financial Statements
47	Allen Chan's certification of Q3 2007 Interim Filings
48	David Horsley's certification of Q3 2007 Interim Filings
49	Press release: "Sino- Forest Signs Long-Term Standing Timber Agreement in Guangxi Province," dated December 10, 2007
50	2007 Management Discussion and Analysis
51	Allen Chan's certification of 2007 Annual Filings (March 18, 2008)
52	David Horsley's certification of 2007 Annual Filings (March 18, 2012)
53	2007 Annual Information Form
54	2007 Management Discussion and Analysis (as amended)
55	Allen Chan's certification of 2007 Annual Filings (March 28, 2008)
56	David Horsley's certification of 2007 Annual Filings (March 28, 2008)
57	Management Information Circular dated April 28, 2008
58	2007 Annual Report
59	Q1 2008 Management Discussion and Analysis and Interim Financial Statements
60	Allen Chan's certification of Q1 2008 Interim Filings
61	David Horsley's certification of Q1 2008 Interim Filings
62	July 2008 Offering Memorandum dated July 17, 2008
63	Press release: "Sino-Forest Signs Long-Term Tree Acquisition Agreement in Fujian Province,"

	dated August 11, 2008
64	Q2 2008 Management Discussion and Analysis and Interim Financial Statements
65	Allen Chan's certification of Q2 2008 Interim Filings
66	David Horsley's certification of Q2 2008 Interim Filings
67	Q3 2008 Management Discussion and Analysis and Interim Financial Statements
68	Allen Chan's certification of Q3 2008 Interim Filings
69	David Horsley's certification of Q3 2008 Interim Filings
70	Press release: "Sino-Forest Increases Investment in Omnicorp Limited; Expanding Foothold in South American Tropical Forest," dated February 6, 2009
71	2008 Management Discussion and Analysis
72	Allen Chan's certification of 2008 Annual Filings
73	David Horsley's certification of 2008 Annual Filings
74	2008 Management Discussion and Analysis (as amended)
75	Allen Chan's certification of re-filed 2008 Annual Filings
76	David Horsley's certification of re-filed 2008 Annual Filings
77	2008 Annual Information Form
78	Allen Chan's certification of 2008 Annual Filings
79	David Horsley's certification of 2008 Annual Filings
80	Management Information Circular dated April 28, 2009
81	2008 Annual Report
82	Q1 2009 Management Discussion and Analysis and Interim Financial Statements
83	Allen Chan's certification of Q1 2009 Interim Filings
84	David Horsley's certification of Q1 2009 Interim Filings
85	Final Short Form Prospectus dated June 1, 2009
86	Press release: "Sino-Forest Signs Long-Term Tree Acquisition Agreement in Jiangxi Province," dated June 11, 2009
87	June 2009 Exchange Offer Memorandum dated June 24, 2009
88	Q2 2009 Management Discussion and Analysis and Interim Financial Statements
89	Allen Chan's certification of Q2 2009 Interim Filings
90	David Horsley's certification of Q2 2009 Interim Filings
91	Q3 2009 Management Discussion and Analysis and Interim Financial Statements
92	Allen Chan's certification of Q3 2009 Interim Filings
93	David Horsley's certification of Q3 2009 Interim Filings
94	Final Short Form Prospectus dated December 10, 2009
95	Offering Memorandum dated December 10, 2009

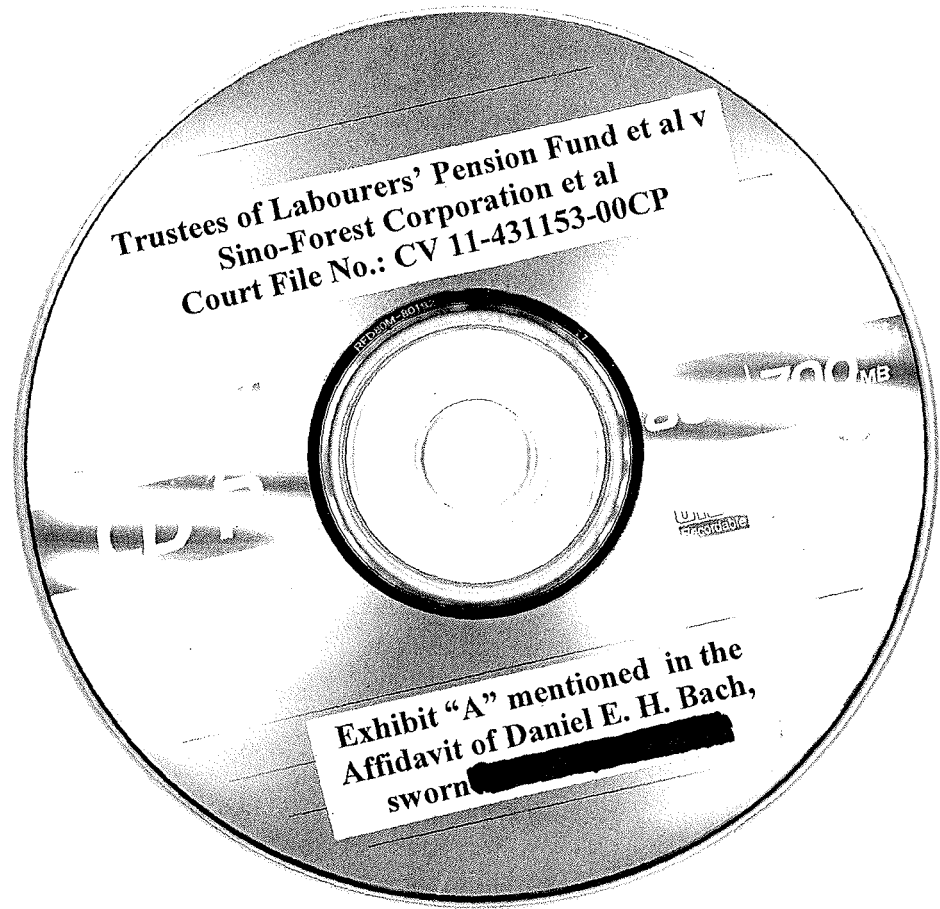
96	Press release: "Sino-Forest Acquires Homix Limited, an R&D and Recomposed Wood Manufacturer in China," dated January 12, 2010
97	Press release: "Sino-Forest Signs Long-Term Master Agreement to Acquire Trees in Guizhou Province," dated January 28, 2010
98	Press release: "Sino-Forest Completes Acquisition of Mandra Forestry," dated February 8, 2010
99	2009 Annual Information Form
100	Allen Chan's certification of 2009 Annual Filings
101	David Horsley's certification of 2009 Annual Filings
102	Management Information Circular dated May 4, 2010
103	2009 Annual Report
104	Q1 2010 Management Discussion and Analysis and Interim Financial Statements
105	Allen Chan's certification of Q1 2010 Interim Filings
106	David Horsley's certification of Q1 2010 Interim Filings
107	Press release: "Sino-Forest Completes Acquisition of Minority Interest in Greenheart Resources," dated June 1, 2010
108	Press release: "Sino-Forest Increases Investment in Hong Kong-Listed Omnicorp; Enhances Existing Partnership to Serve China's Wood Deficit," dated June 22, 2010
109	Q2 2010 Management Discussion and Analysis and Interim Financial Statements
110	Allen Chan's certification of Q2 2010 Interim Filings
111	David Horsley's certification of Q2 2010 Interim Filings
112	Press release: "Sino-Forest Acquires New Zealand Plantation and Intends to Transfer 100% Ownership to Omnicorp," dated November 2, 2010
113	Q3 2010 Management Discussion and Analysis
114	Q3 2010 Interim Financial Statements
115	Allen Chan's certification of Q3 2010 Interim Filings
116	David Horsley's certification of Q3 2010 Interim Filings
117	2010 Annual Information Form
118	Allen Chan's certification of 2010 Annual Filings
119	David Horsley's certification of 2010 Annual Filings
120	Management Information Circular dated May 2, 2011
121	2010 Annual Report
122	Press release: "Sino-Forest Signs Long-Term Master Agreements to Acquire 266,000 Hectares of Plantation Forests in Shaanxi and Yunnan Provinces," dated May 30, 2011
123	Press release: "Sino-Forest Comments on Share Price Decline," dated June 3, 2011
124	Press release: "Sino-Forest Releases Supporting Evidence against Allegations from Short Seller," dated June 6, 2011
125	Press release: "Sino-Forest Independent Committee Appoints Pricewaterhousecoopers," dated

	June 6, 2011
126	Press release: "Sino-Forest Confirms Ontario Securities Commission Investigation," dated June 8, 2011
127	Q1 2011 Management Discussion and Analysis
128	Q1 2011 Interim Financial Statements
129	Allen Chan's certification of Q1 2011 Interim Filings
130	David Horsley's certification of Q1 2011 Interim Filings
131	Press release: "Sino-Forest Responds to the Globe and Mail Article," dated June 20, 2011
132	Q2 2011 Management Discussion and Analysis
133	Q2 2011 Interim Financial Statements
134	Allen Chan's certification of Q2 2011 Interim Filings
135	David Horsley's certification of Q2 2011 Interim Filings
136	Press release: "Sino-Forest Announces Repayment of 9.125% Guaranteed Senior Notes Due 2011," dated August 15, 2011
137	Press release: "Sino-Forest Announces the Resignation of Allen Chan as Chairman and Chief Executive Officer and his Appointment as Founding Chairman Emeritus," dated August 28, 2011
138	Press release: "Sino-Forest Responds to Request to Commence Action against Certain Insiders and Others," dated October 14, 2011
139	Press release: "Sino-Forest Confirms Coupon Payment of 6.25% Guaranteed Senior Notes Due 2017," dated October 21, 2011
140	Press release: "Sino-Forest Announces Resignation of Director," dated November 4, 2011
141	Press release: "Sino-Forest Announces Findings of the Independent Committee," dated November 15, 2011
142	Press release: "Sino-Forest Updates Status of its Third Quarter Financial Results and Certain Other Matters," dated December 12, 2011
143	Press release: "Sino-Forest Corporation Receives Notice of Default and Forms Special Restructuring Committee," dated December 18, 2011
144	Press release: "Sino-Forest Provides Update Regarding Note Holder Default Notices and Comments on the Status of its Historic Financial Statements," dated January 10, 2012
145	Waiver agreement relating to Sino's 6.25% Guaranteed Senior Notes Due 2017
146	Waiver agreement relating to Sino's 10.25% Guaranteed Senior Notes Due 2014
147	Press release: "Sino-Forest Corporation's Noteholders Waive Default under Senior Notes on Agreed Terms," dated January 12, 2012
148	Press release: "Sino-Forest Releases Final Report of the Independent Committee," dated January 31, 2012
Sino Documents Obtained Through Other Means	
149	Management Information Circular dated February 11, 1994
150	1994 Annual Report

151	Management Information Circular dated May 15, 1995
152	1995 Annual Report
153	1995 Annual Information Form
154	Management Information Circular dated May 30, 1996
155	Final Prospectus dated January 28, 1997
156	Management Information Circular dated May 4, 1998
157	Offering Memorandum dated October 14, 2010
158	Press release: "Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname," dated March 1, 2011
159	Corporate presentation relating to Q1 2011 results, "Growing Intelligently," dated June 14, 2011
Sino's Independent Committee Reports and Schedules	
160	First Interim Report of the Independent Committee ("IC") to the Board of Directors of Sino-Forest Corporation ("First Interim Report"), dated August 10, 2011
161	Redacted Second Interim Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation ("Second Interim Report"), dated November 13, 2011
162	Schedules to the IC's Second Interim Report
163	Memorandum by Sino's IC's legal advisors, entitled "Report on Process to Date," dated November 13, 2011.
164	Final Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation ("Final Report"), dated January 31, 2012.
Pöyry's Reports and Consent Letters	
165	Pöyry's report entitled "Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2007," dated March 14, 2008
166	Pöyry's report entitled "Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2008," dated April 1, 2009
167	Pöyry's report entitled "Sino-Forest Corporation, Valuation of China Forest Assets as at 31 December 2009," dated April 23, 2010
168	Pöyry's report entitled "Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports," dated May 27, 2011
169	"Summary Valuation Report, Sino-Forest Corporation, Valuation of Purchased Forest Crops as at 31 December 2010," dated May 27, 2011
170	Pöyry's report entitled "Stakeholder and Analyst Summary Report, Sino-Forest Corporation, Valuation of China Planted Forest Crops as at 31 December 2010," dated May 27, 2011
171	Pöyry's report entitled "Stakeholder and Analyst Summary Report, Sino-Forest Corporation, Background Papers Accompanying the 31 December 2011 [sic.] Valuation of Sino-Forest's China Forest Assets," dated May 27, 2011
172	Pöyry's report entitled "Summary Valuation Report, Sino-Forest Corporation, Valuation of Mandra Forest Crops as at 31 December 2010," dated May 31, 2011
173	Pöyry's consent letter dated March 15, 2007

174	Pöyry's consent letter dated June 5, 2007
175	Pöyry's consent letter dated March 14, 2008
176	Pöyry's consent letter dated April 1, 2009
177	Pöyry's consent letter dated June 1, 2009
178	Pöyry's consent letter dated December 10, 2009
179	Pöyry's consent letter dated April 30, 2010
Muddy Waters' Reports and Schedules	
180	Muddy Waters' Report, dated June 2, 2011
181	Appendices A1 through K6 to the Muddy Waters' Report
182	"Muddy Waters' Reaction to TRE Q1 2011 Conference Call," dated June 14, 2011
183	"The Ties that Bind – Part 1,"
Inter-American Court of Human Rights' Decision	
184	Judgment of the Inter-American Court of Human Rights in the case of the <i>Saramaka People v. Suriname</i> , dated November 28, 2007
Ontario Securities Commission's Cease Trade Orders	
185	Temporary Cease Trade Order, dated August 26, 2011
186	Cease Trade Order, dated August 26, 2011
187	Temporary Cease Trade Order, dated September 8, 2011
188	Cease Trade Order, dated September 15, 2011
189	Temporary Cease Trade Order, dated January 23, 2012
Documents from Ontario Securities Commission's Proceedings	
190	Affidavit of Anthony Long in the matter of Sino-Forest Corp. et al., sworn September 7, 2011
191	Transcript of the OSC hearing in the matter of Sino-Forest Corp. et al., dated September 8, 2011
Sino Management's Conference Calls	
192	Transcript of the forest valuation report discussion conference call hosted jointly by Sino and Pöyry on June 1, 2011
193	Transcript of Sino's conference call to discuss Q1 2011 financial results held on June 14, 2011
Sino's Shares' Trading History	
194	TSX data on Sino shares' trading history, March 23, 1994-August 25, 2011
Information Obtained From SEDI	
195	Information on Sino's insiders' trading activities during the Class Period
Newspaper Articles	
196	South China Morning Post article entitled "Hard Work Pays off for 'Vicious' Akai Liquidator," dated October 6, 2009
197	"Key partner casts doubt on Sino-Forest claim," dated June 18, 2011, Globe and Mail

198	“On the trail of the truth behind Sino-Forest,” dated June 19, 2011, Globe and Mail
199	“The empire Sino-Forest built and the farmers who paid the price,” dated October 15, 2011, Globe and Mail
200	“Sino-Forest chairman rises to company’s defense,” dated February 15, 2012
201	“Canadian audits of China firms had major gaps: regulator,” dated February 21, 2012, Globe and Mail
Report of Canadian Public Accountability Board (CPAB)	
202	CPAB report, “Auditing in Foreign Jurisdictions”, February 2012



Trustees of Labourers' Pension Fund et al v
Sino-Forest Corporation et al
Court File No.: CV 11-431153-00CP

Exhibit "A" mentioned in the
Affidavit of Daniel E. H. Bach,
sworn [redacted]

700 MB

LULL PRODUCTION

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF CAROL-ANN TJON-PIAN-GI

I, Carol-Ann Tjon-Pian-Gi, of the city of Paramaribo, in the country of Suriname, MAKE
OATH AND SAY:

1. I am an independent lawyer and sworn translator residing in Suriname.
2. I swear this affidavit in support of the Plaintiffs' motion seeking an order granting leave to the Plaintiffs to pursue the causes of action available under Part XXIII.1 of the Ontario

- 2 -

Securities Act, RSO 1990, c S 5, and, if necessary, under the equivalent provisions of the Securities Acts of the other Canadian Provinces. I swear this affidavit for no improper purpose.

I. INTRODUCTION AND SUMMARY OF OPINIONS

3. I have been retained by Siskinds LLP and Koskie Minsky LLP, co-counsel for the Plaintiffs herein ("Class Counsel"), to provide advice and assistance as to matters of Suriname law in relations to certain allegations made in the above-captioned litigation against Sino-Forest Corporation ("Sino-Forest") and certain others.
4. Class Counsel have requested that I provide an opinion with respect to the question set forth below.

II. MY QUALIFICATIONS AND COMPENSATION

5. I was awarded a Master's Degree in Law from the University of Suriname in 2005 and thereafter completed a mandatory internship of two years. I was admitted to the Bar of Suriname in December 2008 to practice civil and criminal law in Suriname, and I am a member in good standing of the Bar of Suriname.
6. I was awarded a Bachelor's Degree in English from the Advanced Teacher Training College in 1995 and was sworn in as a translator English-Dutch/Dutch-English in December 2008.
7. Attached hereto and marked as **Exhibit "A"** is a copy of my curriculum vitae.
8. My compensation in this matter is based on the number of hours spent in the course of my retainer. My hourly rate is \$ 150.

III. MATERIALS REVIEWED

9. Prior to rendering the opinions below, I reviewed the following materials:
- Act of 18 September 1992, containing provisions with regard to forest management as well as forest exploitation and the primary lumber processing industry (Forest Management Act), S.B. 1992, no. 80, with explanatory memorandum.

IV. QUESTION POSED AND OPINION

10. Class Counsel have asked me to render an opinion in relation to the following question:

Do the laws of Suriname impose an upper limit on the size of the forestry concession(s) that may be granted to a company or an affiliated group of companies? If so, what is that limit?

11. Article 26 of the *Forest Management Act* (S.B. 1992 no. 80) of the Republic of Suriname (“Article 26”) stipulates a maximum allowable concession size. That article states:

The total surface of a concession, and the total joint surface of various concessions, granted to a natural person or legal entity or to various legal entities in which a natural person or a legal entity has a majority interest, shall be no more than 150,000 hectares.

12. The explanatory memorandum to the *Forest Management Act* states:

Exceeding the maximum surface stated in article 26 shall only be possible by law in certain special cases.

13. I have researched whether any law, rule or regulation of the Republic of Suriname, or of any regulatory body thereof having jurisdiction over forestry concessions in Suriname, creates any exception to the maximum allowable concession size under Article 26 that would permit Greenheart Group Limited and its subsidiaries to exceed the limited imposed by Article 26, but I have identified no such law, rule, regulation or exception.

V. CONCLUSION

14. It is my understanding that discovery has not yet commenced in this action and, accordingly, my opinions are subject to amendment or revision based upon the development of additional evidence.

15. I certify that, to the best of my knowledge and belief:

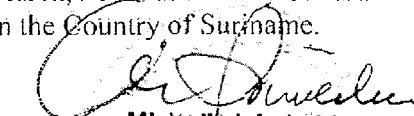
- the statements of fact contained in this Affidavit are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have reviewed Rule 4.1 of the Ontario *Rules of Civil Procedure*, and I have prepared this Affidavit having regard to the duty described therein;
- I have no present or prospective interest in the parties to this case, and I have no personal interest or bias with respect to the parties involved; and
- my compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this Affidavit.

03/01/2012
Date


Carol-Ann Tjon-Pian-G

Produced Identification: Surinamese Passport#:R1195995
Personally Known to Me: N/A

Sworn to me this 1st day of
March, 2012, at the City of Paramaribo
in the Country of Suriname.


Michelle Isimbabi
Vice Consul of the
United States of America


Republic of Suriname)
District of Paramaribo)
City of Paramaribo) SS
Embassy of the United)
States of America)

at the pleasure of the President

Notary Public

My Commission Expires

This is Exhibit "A" mentioned and referred to in the Affidavit of Carol-Ann Tjon-Pian-Gi, sworn before me at the City of Paramaribo, in the Country of Suriname, this 1st day of March, 2012.


Michelle Isimbabi
 Vice Consul of the
 United States of America
 A Notary Public

Republic of Suriname)
 District of Paramaribo)
 City of Paramaribo) SS
 Embassy of the United)
 States of America)

at the pleasure of the President

My Commission Expires

WAIVER OF RESPONSIBILITY
 The U.S. Embassy assumes no responsibility for the truth or validity of representations which appear in this document.

Exhibit A**Curriculum vitae**

Carol-Ann Tjon Pian Gi*Lawyer and Sworn Translator*

Pardolaan 20, Uitvlugt
 Paramaribo, Suriname, S.A.
 Phone / Fax (597) 492257
 Mobile (597) 8861200
 Email catpg@yahoo.com

Summary

Legal Advisory: Corporate Law, Business Contracts, Regulatory Affairs & Legal Compliance, Business Advisory & Support.

Language Advisory: Legal Translations, Sworn Translations.

Education

Anton de Kom Universiteit van Suriname, Paramaribo, Suriname

Law**Master's Degree (with honors) (2005)**

Thesis: Electronic Commerce Transactions under Surinamese Legislation

Electives: International Trade Law and Anglo-American Law

Advanced Teacher Training College, Paramaribo, Suriname

English**Bachelor's Degree (1995)**

Thesis: English for Special Purposes (ESP)

Experience**Independent Lawyer**

2008 - Present

Private Practice

Retained by or in-house legal counsel for a small number of local companies, including Carisma Marketing Services Ltd., a subsidiary of British American Tobacco; Moengo Minerals N.V. (mining) and Topsport N.V., the largest sporting goods store in Suriname.

General bi-lingual legal services; corporate and regulatory affairs; legal compliance; permits (business, labor, work, mining); contract drafting and screening (purchase, labor, lease, joint ventures, distribution, franchise).

Also provide incidental legal advisory services as requested by local and foreign companies, including NAVTEQ USA, a subsidiary of Nokia Corporation.

Assistant Lecturer- Law Department at Anton de Kom Universiteit van Suriname

2006 - 2008

Prepare course material and give lectures on Legal Theory.

Independent Language Consultant

2008 - Present

Retained as legal translator English-Dutch/Dutch English by a number of local companies (insurance, industrial) and others (local bank, local law offices).

- 7 -

1991 - 2004

Provide language services for a number of local companies including SURALCO LLC., a subsidiary of ALCOA LLC. and BHP Billiton (mining), as well as a number of diplomatic missions to Suriname including the US Embassy in Paramaribo and the Office of the European Delegation in Suriname.

1991 - 2003

Lecturer - English for Occupational Purposes (EOP) and English for Special Purposes (ESP)

Various educational institutes in Paramaribo, Suriname

Languages

Dutch (Native or bilingual proficiency)

English (Full professional proficiency)

Spanish (Limited working proficiency)

French (Limited working proficiency)

Sranan Tongo (Native or bilingual proficiency)

Paramaribo, February 2012

Court File No.: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN
ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY
J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT
SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE
SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA
CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA
INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC.,
CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES
LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DENNIS DENG

I, Dennis Deng, of the city of Beijing, in the People's Republic of China (the
"PRC"), MAKE OATH AND SAY:

1. I am a senior partner in Dacheng Law Offices (“Dacheng”), a law firm based in Beijing in the PRC.
2. I swear this affidavit in support of the Plaintiffs’ motion seeking an order granting leave to the Plaintiffs to pursue the causes of action available under Part XXIII.1 of the Ontario *Securities Act*, RSO 1990, c S 5, and, if necessary, under the equivalent provisions of the Securities Acts of the other Canadian Provinces. I swear this affidavit for no improper purpose.

I. INTRODUCTION AND SUMMARY OF OPINIONS

3. On June 3, 2011, Dacheng was retained by Siskinds LLP and Koskie Minsky LLP, co-counsel for the Plaintiffs herein (“Class Counsel”), to provide advice and assistance as to matters of PRC law in regard to various allegations made by Muddy Waters LLC against Sino-Forest Corporation (“Sino-Forest”).
4. I have been requested by Class Counsel to provide opinions with respect to the questions set forth below.

II. BACKGROUND OF DACHENG

5. Founded in 1992, Dacheng is one of the first and largest law partnerships in China. On January 1, 1994, China’s *Legal Daily* reported that Dacheng had become the largest law office in China. In 2005, Dacheng was rated as Outstanding Law Firm of Beijing. In 2008, Dacheng was selected as “National Model Law Firm” of 2005-2007 by the All-China Lawyers Association.
6. Dacheng has established an extensive global legal service network, covering most of the major cities and regions in the world. Apart from its headquarters in Beijing, Dacheng

also has 34 local offices located in, among other cities in the PRC, Shanghai, Wuhan, Chongqing, Tianjin, Harbin, Zhengzhou, Hangzhou, Guangzhou, Xi'an, Nanjing, Nanning, Changzhou and Zhoushan. Dacheng also has offices in Paris, Los Angeles, Singapore, New York, Hong Kong and Taiwan.

7. There are currently over 2,600 lawyers and staff working for Dacheng, and its lawyers have expertise in areas including international trade, finance, construction, business administration, accounting, and taxation. At present, the firm's primary practice areas include corporate law, foreign direct investment, capital markets, mergers & acquisitions, finance, intellectual property, litigation, criminal defense and international trade.

III. MY QUALIFICATIONS AND COMPENSATION

8. I have been a partner of Dacheng since 2008. I have been called to practice law in the PRC since 2005, and I am a member in good standing of the bar of Beijing City. I was awarded a Masters of Law degree from Beijing University in 2003.
9. Attached hereto and marked as **Exhibit "A"** is a copy of my curriculum vitae.
10. Dacheng's compensation in this matter is based on the number of hours spent in the course of our retainer and the hourly rates of the lawyers who have rendered advice and assistance to Class Counsel. My hourly rate is \$475.

IV. MATERIALS REVIEWED

11. Prior to rendering the opinions below, I reviewed the following materials:
 - ✓ Notice of Annual and Special Meeting and Information Circular Respecting Acquisition of Sino-Wood Partners, Ltd. and Amalgamation with 1028412 Ontario Inc. to form Sino-Forest Corporation,

- ✓ Final Report of the “Independent Committee” of the Board of Directors of Sino-Forest Corporation (the “IC”),
- ✓ The Statement of Claim in this matter,
- ✓ Second Interim Report of the IC (the “Second Interim Report”),
- ✓ Schedules to the Second Interim Report,
- ✓ The First Report issued by Muddy Waters, and
- ✓ Company information on Shanghai Jin Xiang Wholesale Market Management Co., Ltd. (“SJXTM”).

V. QUESTIONS POSED AND OPINIONS

12. Below I set forth each of the questions in respect of which Class Counsel have asked me to render an opinion, as well as the opinion that I have provided in response thereto.

Question 1: *Under PRC law, is it lawful for forestry companies to make cash payments or to give gifts to employees of forestry bureaus? If not, what penalties are applicable under PRC law to forestry bureau employees who accept cash or gifts from such companies, and to companies who pay such cash or give such gifts?*

13. In the Second Interim Report, on p. 42, it is stated that

There are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials. The reasons are not clear although two Suppliers noted benefits were provided for the issuance of confirmations.

14. Under PRC law, it is unlawful for forestry companies or their representatives to make cash payments or to give “gifts” to employees of forestry bureaus. The applicable penalties vary primarily depending on the value of the payments and gifts, the recipient

of the “gift,” and the offeror. *See* The Criminal Law of the People’s Republic of China, chap. 8 (“Criminal Law”).

15. A government employee who accepts a “gift” worth more than RMB 5,000 may face criminal bribery charge punishable by criminal detention from 1 to 6 months, imprisonment from 6 months to life, or death penalty,¹ depending on the value of the “gift.” *See Id.* at §§ 383, 385, 386;² *also see* The Standards for Prosecuting Crimes by the

¹ Criminal detention is executed by the public security near where the criminal resides and its term is between 1 month to 6 months; imprisonment is incarceration in a prison for a term varying from 6 months to 20 years. *See* The Criminal Law of the People’s Republic of China, §§ 42, 43, 45, 46.

² Criminal Law:

Article 385 Any State functionary who, by taking advantage of his position, extorts money or property from another person, or illegally accepts another person’s money or property in return for securing benefits for the person shall be guilty of acceptance of bribes.

Any State functionary who, in economic activities, violates State regulations by accepting rebates or service charges of various descriptions and taking them into his own possession shall be regarded as guilty of acceptance of bribes and punished for it.

Article 386 Whoever has committed the crime of acceptance of bribes shall, on the basis of the amount of money or property accepted and the seriousness of the circumstances, be punished in accordance with the provisions of Article 383 of this Law. Whoever extorts bribes from another person shall be given a heavier punishment.

Article 383 Persons who commit the crime of embezzlement shall be punished respectively in the light of the seriousness of the circumstances and in accordance with the following provisions:

(1) An individual who embezzles not less than 100,000 yuan shall be sentenced to fixed-term imprisonment of not less than 10 years or life imprisonment and may also be sentenced to confiscation of property; if the circumstances are especially serious, he shall be sentenced to death and also to confiscation of property.

(2) An individual who embezzles not less than 50,000 yuan but less than 100,000 yuan shall be sentenced to fixed-term imprisonment of not less than five years and may also be sentenced to confiscation of property; if the circumstances are especially serious, he shall be sentenced to life imprisonment and confiscation of property.

(3) An individual who embezzles not less than 5,000 yuan but less than 50,000 yuan shall be sentenced to fixed-term imprisonment of not less than one year but not more than seven years; if the circumstances are serious, he shall be sentenced to fixed-term imprisonment of not less than seven years but not more than 10 years. If an individual who embezzles not less than 5,000 yuan and less than 10,000 yuan, shows true repentance after committing the crime, and gives up the embezzled money of his own accord, he may be given a mitigated punishment, or he may be exempted from criminal punishment but shall be subjected to administrative sanctions by his work unit or by the competent authorities at a higher level.

Id. at §§ 383, 385, 386.

Supreme People's Procuratorate of China, § 3. Confiscation of personal properties may be also imposed in addition to imprisonment or death penalty. Criminal Law, §§ 383, 385, 386.

16. If the bribe does not constitute a crime, a government employee may nonetheless be disciplined by the bureau where the employee works, or by that bureau's immediate superior authorities. *See* Criminal Law, §§ 383, 385, 386.
17. With respect to the cash payments and "gifts" referenced in the Second Interim Report, if they were worth more than RMB 5,000, the forestry bureau employee who accepted the gift may face both bribery charge and administrative sanctions.
18. Further, an entity that offers a bribe worth more than RMB 200,000 to government employees may be charged with entity bribery. The entity may consequently face a criminal fine of 1-5 times the value of the bribe offered, and its responsible personnel may be punished by criminal detention from 1 to 6 months or imprisonment from 6 months to 5 years. Criminal Law, § 393.³

Question 2: *Under PRC law, what are the legal consequences of filing inaccurate information with the AIC?*

19. Under PRC law, a person who knowingly files inaccurate information with the AIC may be subject to administrative sanctions and criminal punishment.

³ *Id.* Criminal Law,

Article 393 Where a unit offers bribes for the purpose of securing illegitimate benefits or, in violation of State regulations, gives rebates or service charges to a State functionary, if the circumstances are serious, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the offence shall be sentenced to fixed-term imprisonment of no more than five years or criminal detention.

20. A company that knowingly registers with overstated registered capital may face administrative sanctions including rectification, an administrative fine from 5% to 15% of the overstated amount, and revocation of the registration and business license. Administrative Regulations of the People's Republic of China on Company Registration, § 68.⁴ The company and its shareholders may also be punished by a criminal fine from 1% to 5% of the overstated amount. Individual shareholders or responsible personnel of entity shareholders may face criminal detention from 1 to 6 months or imprisonment up to 5 years. Criminal Law, § 158.⁵
21. A company that knowingly registers with inaccurate information may face potential administrative sanctions, including rectification, an administrative fine from RMB 50,000 to RMB 500,000, and revocation of registration and business license. *Id.* Company Registration, § 69⁶.

4 Administrative Regulations of the People's Republic of China on Company Registration,

Article 68 If the registration of a company is obtained through falsification of the registered capital, the company registration organ shall order the company to make corrections and impose a fine at an amount of between 5 percent to 15 percent of the falsified registered capital. If the circumstance is severe, the company registration organ shall revoke the company registration or revoke its business license.

5 *Id.* Criminal Law,

Article 158 Whoever, when applying for company registration, obtains the registration by deceiving the competent company registration authority through falsely declaring the capital to be registered with falsified certificates or by other deceptive means shall, if the amount of the falsely registered capital is huge, and the consequences are serious or if there are other serious circumstances, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also, or shall only, be fined not less than one percent but not more than five percent of the capital falsely declared for registration.

Where a unit commits the crime as mentioned in the preceding paragraph, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the crime shall be sentenced to fixed-term imprisonment of not more than three years or criminal detention.

6 *Id.* Company Registration,

22. A company that knowingly registers with false capital contribution may face both administrative sanctions and criminal punishment. The sanctions include rectification, an administrative fine from 5% to 15% of the false amount claimed. *Id.* at § 70⁷. The punishment includes criminal fine from 2% to 10% of the false amount claimed, and the same applicable criminal detention or imprisonment as those stated in the paragraph 20 above. Criminal Law, § 159⁸.

Question 3: *What is the definition of “business activities” under PRC law, and do the activities of Sino-Forest’s BVI subsidiaries, as their business is described in the Reports of the IC, come within that definition?*

23. The term “business activities” is not well defined under PRC law. In practice, however, “business activities” generally encompass any for-profit activities.

Article 69 If the registration of a company is acquired through a false certificate or other deceptive means, the company registration organ shall order the company to make corrections and impose a fine from RMB 50,000 Yuan to RMB 500,000 Yuan. If the circumstance is severe, it shall revoke the company registration or revoke its business license.

⁷ *Id.*

Article 70 If an initiator or shareholder of a company makes false capital contribution, fails to deliver the monetary or non-monetary property as capital contribution, or fails to deliver them on time, the company registration organ shall order him/her to make corrections and impose a fine from 5 percent to 15 percent of the amount of the false capital contribution.

⁸ *Id.* Criminal Law,

Article 159 Any sponsor or shareholder of a company who, in violation of the provisions of the Company Law makes a false capital contribution by failing to pay the promised cash or tangible assets or to transfer property rights, or surreptitiously withdraws the contributed capital after the incorporation of the company shall, if the amount involved is huge, and the consequences are serious, or if there are other serious circumstances, be sentenced to fixed-term imprisonment of not more than five years or criminal detention and shall also, or shall only, be fined not less than two percent but not more than 10 percent of the false capital contribution or of the amount of the capital contribution surreptitiously withdrawn.

Where a unit commits the crime as mentioned in the preceding paragraph, it shall be fined, and the persons who are directly in charge and the other persons who are directly responsible for the crime shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention.

24. According to the description in the reports of the IC, the BVI subsidiaries' businesses are for-profit, and therefore, in my opinion, those activities likely constitute "business activities" under PRC law.

Question 4: *What penalties could be applied under PRC law, and what regulatory action might be taken by PRC authorities, if Sino-Forest's BVI subsidiaries were determined to be engaged in "business activities" in the PRC?*

25. Foreign entities engaging in business activities in the PRC are required to register to obtain and maintain a proper license. Violation of this requirement may result in both administrative sanctions and criminal punishment. Regulations on Registration of Foreign Entities, §§ 2, 3.⁹ Sanctions include banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fine of no more than RMB 500,000.¹⁰ Criminal punishment includes a

9 Administrative Measures for the Registration of Enterprises of Foreign Countries (Regions) Engaging in Production Operations Within the Territory in China,

Article 2 In accordance with relevant laws and regulations of the state, after receiving approval from the State Council and competent authorities authorized by the State Council (hereinafter referred to as Approving Authorities), foreign enterprises engaging in production operations within the territory of China shall apply to the State Administration for Industry and Commerce or its authorized local administration for industry and commerce (hereinafter referred to as Registration Authorities) for registration. After receiving approval for registration from the Registration Authorities and obtaining a People's Republic of China Business License (hereinafter referred to as a Business License), a foreign enterprise may engage in production and business activities. No foreign enterprise may engage in production or business activities within the territory of China without receiving approval from the Approving Authorities and being approved for registration by the Registration Authorities.

Article 3 In accordance with existing laws and regulations of the state, foreign enterprises engaged in the following production and business activities shall seek registration: (1) Exploration and development of petroleum and other land and marine mineral resources...

10 Measures for Investigation into, Punishment Against, and Banning of Any Business Operation That Is Carried out Without a License,

criminal fine from 1 to 5 times the amount of the profits gained, and the responsible personnel may also subject to criminal detention from 1 month to 6 months, or imprisonment from 6 months to 15 years.¹¹

26. Therefore, the AIC may impose sanctions on Sino-Forest's BVI subsidiaries, and those BVI subsidiaries may also be charged with criminal offenses for their illegal business activities.

Question 5: *On p. 53 of the 2nd Interim Report of the Sino-Forest "Independent Committee," it is stated that:*

The IC Advisors have received copies of the Set-off Documents related to all the BVI standing timber purchase transactions

Article 14 As regards unlicensed business operation acts, the administrative department for industry and commerce shall ban them and confiscate the illegal gains according to law; if the Criminal Law is violated, the parties concerned shall be investigated for criminal liability according to the provisions of the Criminal Law on the crime of illegal business operation, the crime of negligently causing a serious accident, the crime of major labor safety accident, the crime of causing an accident in the control of dangerous articles or any other crime; if such activities are not serious enough for criminal punishment, a fine of not more than 20, 000 yuan shall be concurrently imposed; as regards any unlicensed business operation act which is large in scale or causes serious social damage, a fine of not less than 20, 000 yuan but not more than 200, 000 yuan shall be concurrently imposed; as regards any unlicensed business operation act that harms human health, has serious hidden hazard to safety, threatens public safety or destroys environmental resources, the tools, equipment, raw materials, products (goods) and other property that are particularly used for unlicensed business operation acts shall be confiscated, and a fine of not less than 50, 000 yuan but not more than 500, 000 yuan shall be concurrently imposed.

If any law or regulation stipulates otherwise in respect of the punishments for the unlicensed business operation acts, such law or regulation shall prevail.

11 Criminal Law,

Article 225 Whoever, in violation of State regulations, commits illegal acts in business operation and thus disrupts market order, if the circumstances are serious, shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention and shall also, or shall only, be fined not less than one time but not more than five times the amount of illegal gains; if the circumstances are especially serious, he shall be sentenced to fixed-term imprisonment of not less than five years and shall also be fined not less than one time but not more than five times the amount of illegal gains or be sentenced to confiscation of property:

between the first fiscal quarter of 2006 and the first fiscal quarter of 2011. However, the IC Advisors have not been provided with any documents showing movement of money to confirm that such set-off arrangements have been carried out. During meetings of the IC Advisors with AIs and Suppliers, representatives from the AIs and Suppliers declined to produce such documents showing movements of money. Common reasons cited for declining to produce documents included “tax reasons” and sensitivity towards the MW allegations and the resultant publicity. Further, some AIs visited stated that they may not in fact make payment themselves as instructed by SF but would instead arrange for other parties (“fourth parties”) to make payment on their behalf. Those fourth parties may then instruct “fifth” or “sixth” parties to make payment.

In this situation, the Suppliers receiving payment will sometimes instruct its own “fourth” parties to receive payment on its behalf. All the AIs interviewed stated that these fourth parties are unrelated to SF. A common reason cited to explain the use of such expanding set-offs was for tax reasons but all AIs declined to discuss exactly how such use of fourth parties reduce taxes payable. During the meeting with Supplier #1, its legal representative explicitly stated that it would always instruct another party to receive payment from the AIs on its behalf. Reasons given for this arrangement included tax minimization and the fact that Supplier #1 did not have transactions with the AIs and therefore would be unable to account for the receipt of payment from the AIs.

Assuming that the purported transactions between Sino’s BVI subsidiaries and their AIs and suppliers were real, and were not simply illusory transactions designed to inflate Sino’s revenues, profits and assets, what “tax reasons” would explain the failure (1) to produce to the “Independent Committee” documents showing movements of money or (2) to explain to the “Independent Committee” how the use of fourth parties would minimize taxes payable? Is there a lawful way under PRC

law for an AI or Supplier to reduce taxes payable by using fourth parties to receive payments on behalf of the AI?

27. In my opinion, on the assumption stated in the question above, the reason to involve these fourth parties is likely to evade the “value added tax” (“VAT”). The VAT applies to any transaction involving a sale of goods. When there is a chain of sales transactions, one can evade multiple VAT by concealing all the intermediate transactions through the use of a related fourth party to complete the final sale. If the intermediate transactions are not traceable, the VAT will be imposed only on the final transaction.
28. With respect to that part of the above question which concerns the failure to produce documents showing the movement of money, in my opinion, it is likely that Sino’s BVI subsidiaries and their AIs and suppliers have declined to produce such documents because documents showing the movement of money may reveal the intermediate transactions, and thus, result in penalties for illegal tax evasion.
29. Evasion of VAT may result in both an administrative fine of no more than 5 times the amount of the tax evaded,¹² and criminal punishment of imprisonment for the responsible personnel.¹³

12 Law of the People's Republic of China on the Administration of Tax Levying:

Article 64 If a taxpayer or withholding agent falsifies tax basis, the tax authorities shall charge him to make corrections within a given time limit and impose a fine of up to but not exceeding RMB 50,000.

If a taxpayer fails to make declaration of tax, fails to pay or underpays the tax payable, the tax authorities shall seek the payment of the tax unpaid or underpaid as well as the late payment interest, and concurrently impose a fine of exceeding 50% but not exceeding five times of the amount of tax unpaid or underpaid.

13 The article 201 of the Criminal Law was amended in Feb. 2009. Between the original and the admendment laws, the court will apply whichever is more favorable to the defendant depending on the situation.

Article 201 Any taxpayer who fails to pay or underpays the amount of taxes payable by means of forging, altering, concealing or destroying without authorization account books or vouchers for the accounts, or overstating expenses or omitting or understating incomes in account books, or refusing to file his tax returns after the tax authorities have notified him to

Question 6: *Under PRC law, is it correct that standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register? Is it correct that it is normally not possible to have Plantation Rights Certificates issued in the PRC for standing timber only?*

30. The Forestry Registration Law requires a modification request to be filed for any transfer of standing timber to change both the forestry bureau's registration record and the plantation rights certificate. Forestry Registration Law of People's Republic of China, §§ 24, 30. The transfer is completed only after the registration is modified accordingly. *Id.*
31. According to the National Forestry Bureau, the national policy after the forest land reform in 2006 is that a plantation right is a "three rights in one." The three types of

do so or filing false tax returns shall, if the amount of tax evaded accounts for over 10 percent but under 30 percent of the total of taxes payable and over RMB 10,000 but under RMB 100,000, or if he commits tax evasion again after having been twice subjected to administrative sanctions by the tax authorities for tax evasion, be sentenced to fixed-term imprisonment of not more than three years or criminal detention and shall also be fined not less than one time but not more than five times the amount of tax evaded; if the amount of tax evaded accounts for over 30 percent of the total of taxes payable or is over RMB 100,000, he shall be sentenced to fixed-term imprisonment of not less than three years but not more than seven years and shall also be fined not less than one time but not more than five times the amount of tax evaded.

Amendment VII to the Criminal Law, Article 3

Article 201 of the Criminal Law is amended as: "Where any taxpayer declares false tax returns by cheating or concealment or fails to declare tax returns, and the amount of evaded taxes is relatively large and accounts for more than 10 percent of the payable taxes, he shall be sentenced to fixed-term imprisonment not more than three years or criminal detention, and be fined; or where the amount is huge and accounts for more than 30 percent of the payable taxes, shall be sentenced to fixed-term imprisonment not less than three years but not more than seven years, and be fined.

Where anyone bearing the withholding obligation fails to pay or fails to pay in full the withheld or collected taxes by cheating or concealment, and the amount is relatively large, he shall be punished pursuant to the preceding paragraph.

Where either of the acts as described in the preceding two paragraphs is committed many times without punishment, the amount shall be calculated on an accumulated basis.

"Where any taxpayer who committed the act as described in Paragraph 1 has made up the payable taxes and paid the late fines after the tax authority issued the notice of tax recovery in accordance with the law, and has been administratively punished, he shall not be subject to criminal liability, except one who has been criminally punished in five years for evading tax payment or has been administratively punished by the tax authorities, twice or more."

rights encompassed within a plantation right are (1) the forest land use right, (2) the right to use the standing timber on the land, and (3) the ownership of the standing timber. The three rights go together in one plantation rights certificate, and these rights may not be separated. Therefore, no plantation rights certificate may be issued for standing timber alone.

32. Except for the National Bureau's policy, no current law expressly specifies the concept of "three rights in one." In practice, some local forestry bureaus in different areas may issue plantation rights certificates for standing timber without the right of land use, even after the 2006 reform.
33. The opinions expressed in paragraphs 31 and 32 above are based on my inquiries with the National Forestry Bureau, and seven provincial forestry bureaus: Beijing, Guangdong, Yunnan, Fujian, Chongqing, Guangxi, and Heilongjiang.

Question 7: *On pp. 24-25 of the 2nd Interim Report, it is stated:*

If the BVI or WFOE has entered into a timber purchase contract to acquire standing timber, has from the local forestry bureau a written confirmation letter and does not have a Plantation Rights Certificate registered in its name or been provided the relevant Plantation Rights Certificate registered in the name of the Supplier for such standing timber: each such timber purchase contract entered into by such BVIs or WFOE is valid, effective and legally binding on the parties thereto subject to the authorization by (a) the de facto owner with the Plantation Rights Certificate for such standing timber, if any, or (b) the ultimate farmer or collective economic organization who has legally obtained the ownership of the standing timber during the reform of the collectively-owned plantation rights system, as the case may be. If the de facto owner or the ultimate farmer or collective economic organization, as the case may be, refuses to

grant the authorization to any contract, the contract will be void and the Company will have no contractual rights. However, if the Company has paid consideration to the Supplier pursuant to the contract, the Company will have a cause of action against the Supplier for the return of the consideration based on the legal theory of unjust enrichment;

Are the statements above, insofar as they relate to BVIs, correct as a matter of PRC law?

34. Subject to the local practice stated in paragraphs 32 above, a purchase of standing timber is a purchase of three types of rights under the current national policy: the right to use the timber, the ownership of the timber, and the right to use the forest land where the standing timber is. Therefore, standing timber may not be purchased without purchasing the land use right.
35. Further, foreign forestry entities are not allowed to purchase land use rights. Thus, as a foreign entity, the standing timber purchase contracts entered into by Sino's BVIs are void and unenforceable under PRC law.

Question 8: *On p. 9 of the Final Report of the "Independent Committee," it is stated that:*

Management also provided copies of news articles regarding foreigners being subject to criminal sanctions in China for possessing maps and other geographical information that were deemed to be classified as state secrets. The IC has reviewed these responses from Management and was unable to verify all of Management's assertions regarding forestry maps or that forestry mapping information would be regarded as subject to such sanctions but recognizes that this is an area of the law in China where a conservative approach may be prudent.

Generally, what land features or physical facilities are considered to constitute a “state secret” under PRC law? Assuming that a map does not encompass a military installation or other governmental facility, would possession of the map by a foreigner be subject to criminal sanctions under PRC law?

36. Anyone who holds materials that are “state secrets” may be punished by criminal detention or imprisonment. Criminal Law, § 282.¹⁴ “State secrets” are not well defined in the criminal laws of the PRC, but the Law of the People’s Republic of China on Guarding State Secrets provides a broad list of items that are considered “state secrets.”¹⁵ Nevertheless, the National or Provincial Secret Protection Administration shall decide whether a piece of information is identified as a “state secret.”¹⁶ In practice, the Secret

14 *Id.* Criminal Law,

Article 282 Whoever unlawfully holds the documents, material or other objects classified as “strictly confidential” or “confidential” State secrets and refuses to explain their sources and purposes shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance.

15 The Law of the People’s Republic of China on Guarding State Secrets

Article 9 Where divulgence of any of the following issues which are relevant with the national security and interests may cause any harm to the national security and interests with respect to the politics, economy, national defense, foreign affairs and etc., such issues shall be cognized as the State secrets:

1. Confidential issues involved in the significant decisions on the State affairs;
 2. Confidential issues involved in the national defense development and in the activities of the armed forces;
 3. Confidential issues involved in the diplomatic activities and in activities related to foreign countries, and the secrets of which the State shall fulfill the obligations of confidentiality to foreign countries;
 4. Confidential issues involved in the national economic and social development;
 5. Confidential issues involved in the science and technology;
 6. Confidential issues involved in the activities in protecting the security of the State and in the investigation of crimes;
- and
7. other confidential issues which are cognized by the State secret-protection administration.

16 *Id.*

Article 20 Where the organs and units fail to make clear or raise disputes on whether the relevant confidential issues are subject to the State secrets or not or which category of State secrets they should be classified into, the State secret protection

Protection Administration may consider any document that is confidential to the State and not revealed to the public a “state secret,” regardless of whether the document is marked with the word “classified” or any other word or designation which makes clear that the map is a “state secret.” Any mark or designation on the document which indicates that the document contains a state secret could constitute prima facie evidence of that fact, yet the court would rely on the Secret Protection Administration’s opinion in any case involving a “state secret.” If a map encompasses a PRC military installation or other governmental facility that is not revealed to the general public, then the map might be identified as a “state secret,” and holding such a map could constitute the crime of possession of state secrets under PRC law. As a general matter, however, maps of forestry resources are not identified as state secrets under PRC law, and thus holding such maps would not constitute a crime. In fact, as I explain below, maps of pertinent forestry areas are required under PRC law to be attached to plantation rights certificates.

Question 9: *On p. 10 of the Final Report, it is stated that:*

In mid December 2011, Management provided a document entitled “Detailed Description of Locating Forestry Resources in China” which explains how the locations of BVI standing timber assets are determined. This document has been provided to the Board.

It indicates that although certain types of stand maps and these land descriptions are available as part of PRCs, maps are not readily available for continuing possession by persons trading in

administration or the secret protection administrations of the provinces, autonomous regions or municipalities directly under the Center Government shall render a decision on the aforementioned issues.

standing timber without a lease as is the case of the transactions by SF's BVI model. Management indicates that such maps usually can be borrowed from forestry bureaus (but not retained) and are used by the survey companies as part of the Company's due diligence. Management believes the ability of a foreign company to retain such maps is unclear and has adopted a cautious approach to this issue. The advice received by the IC from independent forestry experts is that this practice is not inconsistent with the practice of other parties in China who buy and sell standing timber without leasing the underlying land.

Are the underlined statements above correct as a matter of PRC law?

37. It is true that PRC forestry bureaus are not obliged to provide maps of the forestry resources within their jurisdiction to members of the public. Under PRC law, however, a map must be attached to a plantation right certificate, and that map must describe the location of the relevant forest land, its boundaries and adjacent areas, the hectareage, the number of the trees and their species. Regulations on Plantation and Forestland Rights Registration, § 11.¹⁷ Such maps do not provide information on the general forestry areas, but only on that specific piece of land to which the plantation right certificate pertains. *Id.*

Question 10: *In the PRC, is there a database for plantation rights certificates, and if so, can a member of the public gain access to that database and, if so, how?*

¹⁷ Regulations on Plantation and Forestland Rights Registration,

Article 11 The registration organ shall decide to approve it within 3 months, when an application should meet all the following conditions:

(1) the location, four boundaries, species, area and number of the forests, plantation, forestland shall be accurate;

.....

38. The plantation rights registration database is generally open to the public upon request. Regulations on Plantation Rights and Forestland Registration, § 20.¹⁸ Local forestry bureaus determine the precise procedure on how to obtain information from the database. Generally, any member of the public who follows those local, routine procedures and who pays the required fee, can access to the database. Moreover, certain websites also provide online inquiry services regarding the ownership of plantation rights, such as <http://www.lqfzgl.com/index.aspx>.

Question 11: *According to AIC documents, SJXTM was an equity joint venture established in May 1997 by Shanghai Changxiang Industrial Co., Ltd., a state-owned entity that held an 83% equity interest in SJXTM, and Shanghai Jinsen Material Trade Co., Ltd., which held a 17% equity interest in SJXTM. AIC documents disclose that, prior to the termination of the joint venture agreement in 2005, SJXTM was “a joint venture by state-owned enterprise and collective enterprise.”*

Given that SJXTM was a “a joint venture by state-owned enterprise and collective enterprise,” would it have been possible under PRC law for Sino-Forest, a Canadian company, to have owned, either directly or indirectly, an equity interest in SJXTM?

39. According to the AIC records provided to me by Class Counsel, SJXTM is a non-company joint venture by a wholly state-owned enterprise and a collective enterprise.

Thus, as a foreign company, Sino-Forest could not have invested directly in SJXTM.

40. Sino-Forest could not have indirectly owned an equity interest in SJXTM either. A collective enterprise is owned by a specific group of individuals who are Chinese citizens.

18 *Id.*

Article 20 The registration organ shall open the registration files to the public upon request.

Thus, Sino-Forest would not have been able to invest in SJXTM through investment in the collective enterprise.

41. In conclusion, it is my opinion that it would have been impossible for Sino-Forest to own an equity interest directly or indirectly in SJXTM under PRC law.

VI. CONCLUSION

42. It is my understanding that discovery has not yet commenced in this action and, accordingly, my opinions are subject to amendment or revision based upon the development of additional evidence.

43. I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this Affidavit are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions;
- I have reviewed Rule 4.1 of the Ontario *Rules of Civil Procedure*, and I have prepared this Affidavit having regard to the duty described therein;
- I have no present or prospective interest in the parties to this case, and I have no personal interest or bias with respect to the parties involved; and
- my compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this Affidavit.

Date

Dennis Deng

Sworn to me this ____ day of
March, 2012, at the City of Beijing,
in the Country of the People's Republic of China.

Notary Public [or Commissioner of Oath, as appropriate]

This is **Exhibit “A”** mentioned and referred to in the Affidavit of Dennis Deng, sworn before me at the City of Beijing, in the Country of the People’s Republic of China, this ____ day of March, 2012.

A Notary Public

Exhibit "A"

DENNIS DENG

Curriculum Vitae

Dennis Deng

Senior Partner, Director of International Practice Department of Dacheng Law Offices

Tel: +86-10-58137130

Cell Phone: +86-13911098075

Fax: +86-10-80115555*352074

E-mail: yongquan.deng@dachenglaw.com



Practice Areas:

- foreign direct investment (establishment of foreign-invested enterprises, foreign-related equity and asset acquisitions, foreign business investment); private equity financing; real estate (first-stage development, second-stage development, equity acquisition of project companies, real estate sales, transfer and leasing, commercial property operation); and
- commercial litigation and arbitration; enforcement actions in respect of judgments of the PRC courts and awards of PRC arbitral institutions; recognition and enforcement of foreign arbitral awards in China.

Mr. Deng has advised and represented clients in a broad range of industries, including investment, finance, insurance, real estate, construction, IT, aviation, electricity, medicine, environmental protection, manufacturing, auto, retail, telecommunications, chemical, hotel management, culture and education, publishing and media, railway logistics.

Mr. Deng has represented numerous clients in commercial litigation before the Chinese courts and in arbitration before the China International Economic and Trade Arbitration Commission, with a particular emphasis on disputes concerning mergers and acquisitions, Sino-foreign joint ventures, real estate, construction and employment, as well as shareholder and derivatives disputes.

Mr. Deng has particular experience in the enforcement of PRC court judgments and arbitral awards of PRC arbitral institutions, as well as the recognition and enforcement of foreign arbitral awards in China.

Mr. Deng has advised clients on dozens of M&A projects, including share capital increases of commercial banks, share repurchase financing for real estate projects, international syndicated loans in atmosphere improvement projects, limited recourse financing of power stations, international syndicated loans for petrochemical projects, venture investments through offshore share swaps, assets acquisitions by state-owned enterprises for the establishment of foreign-invested enterprises, acquisition of real estate project companies, the corporate restructuring of a state-owned publishing house, international joint education programs, international joint TV program production and broadcasting and an international joint venture in ticket marketing and performance.

Mr. Deng has strong capabilities in the conduct of due diligence investigations and legal risk analysis, and is able to assist clients in discovering and assessing legal risks in a thorough and efficient manner.

With extensive experience in both the operational side of business and in litigious and non-litigious legal work, Mr. Deng can help clients solve their problems in an accurate, effective and economic manner. Mr. Deng emphasizes that a lawyer should:

- design appropriate and sufficient legal protections whilst avoiding the inclusion of excessive and pointless clauses, which can simply frustrate a transaction;
- explain the relevant government examination and approval procedures and the corresponding transaction timeline to the client well in advance and take the initiative in predicting, identifying and controlling the risks for the client;
- take full account of business procedures and commercial feasibility when drafting a contract and prepare for and guard against potential disputes (for example, the clauses of the contract should be drafted such that the burden of proof is allocated to the other party);

- pay close attention to risk control during the course of the performance of a contract;
- uncover the facts of a case by tracing the unfolding of events from a commercial perspective and orient the presentation of the case in a manner favorable to the client;
- attend to the psychological factors influencing a judge or arbitrator, such as the desire for efficiency (concluding the case as quickly as possible) and the pursuit of safety (avoiding an incorrect ruling), so as to obtain a favorable judgment for the client; and
- identify any possible deal-breaking issues in a transaction as quickly as possible so that the client can withdraw from the transaction in a timely manner, saving both time and money.

Profile:

Mr. Deng had worked in Zhonglun Law Firm and Jincheng & Tongda Law Firm before he jointed Dacheng Law Offices. Prior to working in private practice, Mr. Deng served as the general counsel and secretary to the board of directors of COFCO Coca-Cola Beverages Ltd. and COFCO Coca-Cola Beverage (China) Investment Ltd., acquiring considerable experience in international commercial operations and management. This experience enables Mr. Deng to exactly grasp the commercial objectives of his clients.

Education:

- Master of Laws Degree from Beijing University
- In-house Lawyer Training of Coca-cola Company

Working Language: Chinese and English, Mr. Deng can work in English skillfully.

-----End-----

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
 CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
 ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
 SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
 as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
 POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
 HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
 PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
 (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
 DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
 MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
 PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
 AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ALAN MAK


I, Alan Mak, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
 SAY:


1. I am a chartered accountant with Rosen & Associates Limited. I have knowledge of the matters set out below. Where that knowledge is based on information obtained from others, I have so indicated and believe that information to be true.
2. Rosen & Associates Limited was asked by Siskinds LLP and Koskie Minsky LLP, counsel for the plaintiffs, to prepare a report regarding the financial reporting of Sino-

Forest Corporation and the role of its auditors. Attached as **Exhibit "A"** is a copy of the report of Rosen & Associates dated March 2, 2012. My qualifications and acknowledgement of expert's duty are included in this report.

- 3. I swear this affidavit in support of the Plaintiffs' motion for an order granting leave to pursue the cause of action available under Part XXIII.1 of the *Securities Act*, RSO 1990, c S.5, as amended (the "*OSA*").

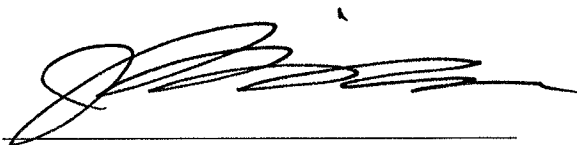
SWORN before me at the City of)
 Toronto, in the Province of Ontario,)
 this 2nd day of March, 2012.)


 _____)
 A Commissioner, etc.)
 Jonathan Bida)

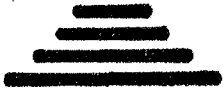


 Alan Mak

This is Exhibit "A" mentioned
and referred to in the Affidavit
of Alan Mak, sworn before me
at the City of Toronto, in the
Province of Ontario, this 2nd
day of March, 2012

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

A Commissioner, etc.



Rosen & Associates Limited

LITIGATION AND INVESTIGATIVE ACCOUNTANTS

Forensic Accounting 727

Business Valuation

Quantification of Damages

Public Accountants' Negligence

Privileged & Confidential

REPORT OF ROSEN & ASSOCIATES LIMITED

IN THE MATTER OF:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA ET AL**

v.

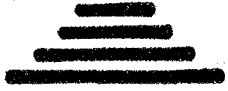
SINO-FOREST CORPORATION ET AL

March 2, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	1
II. SUMMARY OF OUR OPINION	3
III. BACKGROUND	9
IV. RELEVANT PROFESSIONAL STANDARDS	12
V. SINO-FOREST'S ACCOUNTING POLICIES	16
VI. ANALYSIS OF SINO-FOREST ACCOUNTING AND REPORTING	16
A. Historical Financial Results	16
B. Ownership of Timber	18
C. Valuation of Timber Assets	29
VII. CASH FLOW REPORTING	30
A. Background	30
B. The Misleading Financial Statements	32
C. Inventory as Investments	34
D. False Depletion	35
E. Mismatching Cash Flows	40
F. Changing Nature of Sino-Forest	43
G. Financial Analyst Reports	45
H. Cash Transactions	46
VIII. ANALYSIS OF EXTERNAL AUDITOR PERFORMANCE	47
A. Generally Accepted Auditing Standards	47
B. Responsibilities of Auditors	47
C. Knowledge of the Business	48
D. Audit Evidence	50

	<u>PAGE</u>
E. Internal Controls	51
F. Audit of Particular Financial Statement Items	52
IX. RELATED MATTERS	57
A. Canadian Public Accountability Board	57
B. Materiality	58
C. Income Taxes	59
X. RESTRICTIONS	60
APPENDIX A – Documents That We Considered In Our Analysis	
APPENDIX B – Professional Qualifications and Authors’ Acknowledgement of Responsibilities to the Court	
APPENDIX C – Relevant Accounting Standards	
APPENDIX D – Sino-Forest Accounting Policies	
APPENDIX E – Sino-Forest Financial Statement Summaries	
APPENDIX F – Summary of AI and Supplier Relationships	



March 2, 2012

Privileged & Confidential

Siskinds LLP
680 Waterloo Street,
London, ON
N6A 3V8

Attention: Messrs. A. Dimitri Lascaris, Michael G. Robb and Daniel Bach

**Re: The Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al
v. Sino-Forest Corporation et al**

I. INTRODUCTION

You have asked for our opinion, as professional accountants experienced in evaluating financial reporting and auditing, on the financial reports of Sino-Forest Corporation ("Sino-Forest" or "the Company"), particularly as it relates to accounting and financial reporting for the purchase and sale of its timber holdings. We understand that the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the other plaintiffs, on behalf of themselves and members of the Class, have alleged, among other things, that Sino-Forest materially misstated its timber assets, revenue (and profits) from timber sales and cash flows from operating activities.

You have also asked us to comment on the professional performance of Ernst & Young LLP ("E&Y") and BDO McCabe Lo Limited ("BDO"), being the stated independent auditors of Sino-Forest during various portions of the relevant period, with respect to their professional obligations and compliance with applicable professional standards.

You have asked us to respond to the following questions:

- A. Were the timber assets and revenues of Sino-Forest materially overstated for the years ended December 31, 2006 to December 31, 2010 according to the relevant Canadian generally accepted accounting principles (“GAAP”)?
- B. Did E&Y and BDO McCabe Lo Limited (“BDO”), as stated independent auditors of Sino-Forest, comply with Canadian generally accepted auditing standards (“GAAS”) in their examinations of Sino-Forest’s annual financial statements for the years ended December 31, 2006 through 2010, inclusive?
- C. The nature of any other financial reporting irregularities identified in the course of our analysis.

On June 2, 2011, Muddy Waters LLC, an independent investment research firm, initiated coverage on Sino-Forest. The Muddy Waters report alleged numerous improprieties at Sino-Forest, including, but not limited to, the overstatement of timber assets, non-existent sales and the perpetration of a Ponzi-type fraud. In response, Sino-Forest passed a resolution to appoint an “Independent” Committee (“IC”) to investigate the allegations.¹ The IC has issued three reports, ultimately declaring in its final report (dated January 31, 2012) that it had substantially completed its investigations and exhausted reasonable efforts to evaluate Muddy Waters’ allegations. The IC’s three reports, along with the annual and quarterly financial statements are the primary source of publicly-available information on Sino-Forest’s operations, and form the majority of the basis of our analysis of the asset and revenue reporting issues. Note that the IC’s reports disclosed for public consumption have been redacted, in important respects.

The documents that we relied upon in preparing our opinion are listed at **Appendix A**. Our professional qualification and the authors’ acknowledgement of responsibilities to the Court are attached at **Appendix B**.

¹ The composition of the IC is set out in its Second Report, dated November 13, 2011, “Introduction” section. We note that the IC was comprised of three Chartered Accountants. One of the members, Mr. James Hyde, was a retired partner of Ernst & Young, Sino-Forest’s auditor since 2007 and before 2005. Mr. Garry West, another member of Sino-Forest’s Board of Directors and also a former partner of Ernst & Young, also attended and participated in virtually all meetings. In our opinion, the objectivity of the former E&Y partners participating in the IC’s investigation must be evaluated carefully, given that E&Y was the Company’s external auditor during most of the relevant period.

It is important, in interpreting our Report, to clearly comprehend that it has been prepared solely on the basis of publicly-available information. We therefore reserve the right to amend, or revise, our opinion should additional information be made available to us subsequent to the date of this Report.

We understand that this report will be filed for the purposes of a motion seeking leave to assert a cause of action under Part XXIII.1 of the *Securities Act* of Ontario and if necessary the Securities Acts of the other Provinces.

II. SUMMARY OF OUR OPINION

In our opinion, based upon publicly-available evidence for Sino-Forest, from an accounting and financial reporting perspective, sufficient appropriate evidence does not exist to justify the reporting of timber assets and revenues for the vast majority of Sino-Forest's standing timber activities in 2006 to 2010 inclusive (i.e., purchased plantation timber being traded under the Entrusted Sale Agreements model).

The IC's investigation alone casts serious doubts on the legal and economic validity of Sino-Forest's timber trading business. Numerous discrepancies in the IC's procedures have been identified, such as the lack of external evidence to prove the actual existence of acquired or sold timber (e.g., plantation rights certificates or movements of cash among counter-parties).

Close ties exist between the Company and many of its counter-parties (with former Sino-Forest employees being shareholders, directors or officers of its suppliers and purchasers of standing timber, and with common shareholders existing among suppliers and purchasers). Such evidence, and also a lack of cash receipt evidence, indicates a failure to comply with GAAP and GAAS, and thus renders the 2006 to 2010 audited annual financial statements as being materially misleading.

The circular nature of Sino-Forest's standing timber business, and the lack of external transaction validation, suggest that Sino-Forest's standing timber business may have existed only within this closed loop of related companies. GAAP is largely based upon the reporting of bargained third party transactions. Accordingly, when sufficient third

party dealings do not exist, a GAAS audit is typically not possible to perform. In our opinion, therefore, the audited annual financial statements of Sino-Forest for much or all of the 2005 to 2010 years should not have been issued to the public.

Our further opinions follow:

A. Timber Assets

The legal ownership and occurrence of bona fide economic transactions have not been established by Sino-Forest or by the investigations of the IC. Independent verifications with Sino-Forest's alleged third-parties are not reliable, and available evidence indicates that the confirmation process used by Sino-Forest's so-called IC lacked integrity. Indeed, the IC has advised that forestry bureau confirmations do not evidence legal ownership, and title claims continue to be susceptible to challenge.

Consequently, assertions regarding asset "ownership" and "existence" as required by GAAP have not been proven. Sino-Forest should not have characterized the standing timber traded through its so-called Entrusted Sale Agreements ("ESA") (i.e., purchased plantations acquired from Suppliers through set off arrangements and sold to Authorized Intermediaries) as being "assets" or "revenues" of the Company.

Sino-Forest's purported ownership of its standing timber is fundamentally complicated by its unusual business structure. All, or substantially all, of Sino-Forest's sales and purchases of standing timber occur within a pool of Suppliers and Authorized Intermediaries ("AIs"). According to the IC, neither Sino-Forest nor its subsidiaries (British Virgin Island incorporated entities, or "BVIs") have ever received cash from the sale of timber to AIs. The proceeds of sale are supposedly held in trust for Sino-Forest by the AIs and are to be paid to Suppliers in "set-off" arrangements. Similarly, we understand that Sino-Forest apparently has never directly paid cash to its Suppliers for the purchase of standing timber.

Importantly, the IC was not able to verify any cash movements between the AIs and Suppliers. The complete absence of accounting “realization” (e.g., the collection or payment of cash in commercial transactions) is a glaring anomaly and raises many doubts as to the legitimacy of Sino-Forest’s operations. Such lack of transparency is enormously significant given the apparent inter-relationships among Sino-Forest, its Suppliers and AIs, and little available evidence on the existence of independent third parties.

Given the “closed circuit” nature of Sino-Forest's standing timber business model, a serious possibility (if not high probability) is that Sino-Forest's entire standing timber business is an accounting fiction. External, verifiable proof of commercial trades in standing timber does not appear to exist, or exists for only a very narrow scope of transactions. Too many “red flags” occur and cast doubt on the plausibility of Sino-Forest’s business model. Too many excuses would be needed to explain Sino-Forest’s deviations from “normal” commercial practice. Each and every one of Sino-Forest’s explanations must be believed in order for a person to accept the legitimacy of its standing timber business.

In our opinion, reliable evidence has not been offered by the Company or uncovered by the IC to establish the legal ownership and the realization of commercial trade (i.e., cash collection). The apparent close ties and related party status of Sino-Forest’s main trading parties for standing timber cast further doubt on the legitimacy of the purchases and sales. From a financial reporting perspective, inadequate proof exists to support the assertions that Sino-Forest owned and sold standing timber under its “ESA” model.

Consequently, it is our view that Sino-Forest's timber assets, revenues and profits from at least 2006 to 2010 were grossly overstated. Accordingly, in our opinion, the audited annual financial statements for at least 2006 to 2010 inclusive were materially misstated, contrary to the written assertions in the auditors’ reports.

B. Transactions with Authorized Intermediaries and Suppliers (Related Parties)

Serious concerns exist regarding Sino-Forest's timber trading model. A particular oddity is the practice of buying and selling within a same group of Suppliers and AIs. The IC confirmed that many of Sino-Forest's counter-parties are owned or managed, at least in part, by former employees or contractors of the Company. Importantly, the IC does not appear to have devoted much attention to indirect relationships, such as friends and family of former employees, which would indicate an even greater scope of undisclosed influence.

From an accounting perspective, the existence of related parties could nullify the presumption of arm's-length fair market value transaction terms. Transactions between related parties are not necessarily bargained on the basis of competing self-interests. Hence, prices, payment terms and warranties may be manipulated to convey a particular message (such as increasing profits or assets) when such would not be the case, in reality. Non-independent trading partners could even engage in fictitious transactions, such as for the purchase and sale of goods.

Sino-Forest's disconcerting business model (the closed nature of its buying and selling activities), the absence of independent evidence of commercial trade (e.g., forestry bureau confirmations and cash movements) and the interrelationships among Sino-Forest, its Suppliers and its AIs, all corroborate our strong suspicion that the entire standing timber trade business was a carefully-constructed fiction from an accounting perspective. Further investigations for our suspicions are therefore in order.

C. Manipulation of Reported Cash Flows

Further evidence of Sino-Forest having engaged in misleading financial reporting can be found in its cash flow statements for at least the years ended December 31, 2006 through to 2010, inclusive. In direct contravention of Canadian GAAP, Sino-Forest grossly and materially overstated its "cash flows from operating activities" by excluding the cost of the timber that it supposedly had sold each year. Rather

than reporting the timber available for sale as “inventory”, and deducting such sold inventory costs from revenue to arrive at a net profit (or operating cash flow), Sino-Forest categorized timber purchases as a long-term “investment”. Such long-term treatment was clearly incongruous with the purported use of the standing timber stock (purchased plantations), which in fact was being sold frequently in trade.

Furthermore, rather than recognizing the cost of timber as it was sold as being an operating cost, Sino-Forest chose to characterize the same as a (non-cash) depletion expense. Depletion is added back to net income in calculating cash flows because it is a non-cash expense. Hence, Sino-Forest was able to completely and inappropriately exclude the cost of acquiring the timber that it supposedly had sold, when computing its cash from operations.

The effect of Sino-Forest's misleading “cash flow from operating activities” accounting treatment was to grossly overstate operating cash flows, a figure that is extensively relied upon by industry financial analysts to compute valuations of the company. “Operating cash flows” (excluding what are called changes in non-cash current assets and liabilities), or similar terminology such as EBITDA (earnings before interest, taxes, depreciation and amortization) are used extensively by financial analysts across many industries. Such usage is widely known to financial statement preparers and auditors.

E&Y and BDO, Sino-Forest's auditors, accepted the inappropriate and misleading timber acquisition and sale reporting each year. This was contrary to their audit reports’ wording of seeking out and avoiding materially misstated financial results.

D. Professional Standards and Auditors (E&Y and BDO)

E&Y and BDO each issued audit reports proclaiming that they had conducted their audits in compliance with GAAP and that Sino-Forest’s financial statements fairly presented the results of its assets, liabilities, operations and cash flows. In our opinion, E&Y and BDO both failed to perform their audits in accordance with

GAAS and failed to detect material misstatements in Sino-Forest's financial statements. In particular, E&Y and BDO (at a minimum) failed to:

1. Obtain an understanding of Sino-Forest's business operations, especially the peculiar manner in which it claimed to do business (e.g., the "ESA", the use of AIs, the "set off" arrangements, the trading within a small group of Suppliers and AIs at any given time and similar), as well as of the circumstances and effects of its transactions with impacts on related party measurement deficiencies.
2. Grasp the significance of Sino-Forest's business practices as they impacted on GAAP, such as the lack of cash collections, the extensive inter-relationships among Sino-Forest, its Suppliers and AIs, and the absence of formal land title transfers/registrations). Despite their professional obligations to obtain sufficient and appropriate evidence of the reality of Sino-Forest's reported transactions each year, it is highly doubtful that E&Y and BDO would have gathered the necessary evidence so as to become aware of these peculiarities. Such lack of evidence constitutes major non-compliance with GAAS.
3. Perform basic auditing procedures to test the validity of Sino-Forest's assertions regarding its ownership of standing timber, the sale and realization of proceeds of sale of standing timber, and the purchase of standing timber. In the alternative, if such procedures are claimed to have been performed, sufficient and appropriate audit evidence was not obtained (and could not have been obtained given the circumstances explained by the IC) so that logical and justifiable conclusions could be supported.
4. Object to Sino-Forest's inappropriate and non-GAAP-compliant financial reporting with respect to:
 - (a) Standing timber being labelled as "assets" of the Company on the audited financial statements;

- (b) The sale of standing timber, based on GAAP requirements as applicable for determining when sales revenue may be recorded;
- (c) Cash flows relating to the purchase and sale of standing timber; and their location within the audited cash flow statements; and,
- (d) The nature of relationships among Sino-Forest, its Suppliers and AIs, and the consequences of non-recognition of revenue and compulsory financial statement note disclosure.

Overall, it is our opinion that E&Y and BDO seriously failed to fulfill their basic obligations to test Sino-Forest's significant financial statement assertions. Had they met even the minimum requirements, E&Y and BDO would have identified the many discrepancies that were encountered by the IC. In the alternative, if E&Y and BDO should claim that they performed the necessary auditing procedures, then they inappropriately accepted Sino-Forest's accounting choices, which were not within GAAP and which materially overstated the Company's assets, revenues, profits and operating cash flows.

Overall, in our opinion, contrary to the assertions in the annual audit reports, Sino-Forest's financial statements were materially misstated, at least from 2006 to 2010.

III. BACKGROUND

Our understanding of the material facts follow:

- A. Sino-Forest Corporation is a Canadian company with an administration office based in Mississauga, Ontario and its executive offices based in Hong Kong. Sino-Forest purports to be a commercial forest plantation operator in the People's Republic of China. Until August 25, 2011, Sino-Forest was traded on the Toronto Stock Exchange under the ticker symbol "TRE".
- B. Ernst & Young LLP is a firm of chartered accountants with offices across Canada. E&Y was Sino-Forest's external auditor prior to 2005, and again commencing in the 2007 fiscal year.

C. BDO McCabe Lo Limited is a firm of certified public accountants based in Hong Kong. BDO was Sino-Forest's auditor the years ended December 31, 2005 and 2006.

D. On or about June 2, 2011, Muddy Waters LLC, an investment research firm, initiated coverage on Sino-Forest. Muddy Waters' report made numerous, serious allegations that Sino-Forest was a massive fraud. Among the allegations:²

1. Sino-Forest materially overstated its timber holdings.
2. The foundation of Sino-Forest's Ponzi-scheme type of fraud is its business model that utilizes a complex network of British Virgin Island ("BVI") subsidiaries that deal exclusively with Authorized Intermediaries ("AIs") in related transactions.
3. This network of AIs allowed Sino-Forest to fabricate unwarranted sales.

E. Sino-Forest's business prior to 2011 was comprised of three business segments:

1. Plantation fibre (tree plantation, including standing timber);
2. Wood log and wood products purchases and sales; and,
3. Manufacturing or processing.

The Plantation division was its largest operation and comprised the majority of its assets and revenues.

F. The Plantation Fibre division was operated as follows:

1. Sino-Forest applied two business models: Purchased Plantation and Planted Plantation:³

² Muddy Waters LLC Report on Sino-Forest Corporation, June 2, 2011.

³ Second Interim Report of the IC, dated November 13, 2011, pages 14 and 15.

- (a) Purchased Plantations involved buying and selling standing timber or logs via BVI/AI structures and through wholly foreign owned entities (“WFOE”, incorporated in the Peoples Republic of China, “PRC”).
- (b) Planted plantations have been operated entirely through WFOE.
2. As of December 31, 2010, Sino-Forest reported 711,000 hectares of purchased plantation assets (466,826 via BVIs and 214,182 via WFOEs).
 3. As of December 31, 2010, Sino-Forest reported 77,700 hectares of planted plantations.
 4. Sale of timber from planted plantations was alleged to have been made in cash, to customers.
 5. Sale of purchased plantations, via BVIs, were not sold directly to customers, but rather sold under contract to AIs. Such transactions were made through Entrusted Sale Agreements (“ESA”). The typical wording of an ESA specifies that an AI is “entrusted” to sell timber on behalf of Sino-Forest’s BVI subsidiaries.
 6. BVI timber sales were alleged to have been settled by the AI by its making payments to Sino-Forest suppliers on behalf of Sino-Forest. No cash flowed through to the BVIs.

G. Sino-Forest’s BVI/AI network supposedly operated as follows:⁴

1. AIs are Chinese incorporated companies that were engaged in timber trading. AIs enter into ESAs to sell timber on behalf of the BVIs. AIs are sometimes referred to as “selling agents”.
2. The ESAs stipulate that an AI is liable for paying Sino-Forest the sale price, and such obligation is not conditional upon the AI selling its timber to end customers.

⁴ Second Interim Report of the IC, dated November 13, 2011, pages 15 to 18 and 50 to 54.

3. The AI is responsible for finding its own customers.
4. Payment terms typically were alleged to be 20% of the sale price within 60 days, 40% within 150 days and balance within 270 days of signing.
5. However, according to the IC, no cash has ever actually flowed from the AIs to Sino-Forest/BVIs. Funds were held by the AI until directed by the Company to use the proceeds to pay for new BVI standing timber purchases. Funds were directed to “set-off” the cost of new timber acquisitions.
6. Funds to pay for new BVI standing timber purchases could originate from the proceeds of multiple ESAs (or from different AIs). From Sino-Forest’s records, the set-off payments were alleged to have been applied to the partial or complete settlement of the Supplier’s account.

An AI may also have been directed to purchase standing timber for a different BVI (from the entity from which the AI purchased standing timber and to whom it owes payment).

IV. RELEVANT PROFESSIONAL STANDARDS

Sino-Forest purportedly (according to its annual audited financial statements) applied Canadian GAAP in its financial reporting for the fiscal years ending on and prior to December 31, 2010.

Excerpts of selected pronouncements from GAAP are listed at **Appendix C**.

As a brief summary, revenue represents the inflow of cash or other benefits as a result of completing the normal, income-generating activities of a business. A key element of revenue recognition is the transfer of the risks and rewards of ownership that are associated with the asset(s) that has purportedly been sold to the buyer by the seller business. Under Canadian GAAP, the certainty of collecting cash from the buyer is an especially important consideration.

“Assets” represent resources or benefits that are available to a business. A key characteristic is that the reporting entity must be able to control, or be entitled to exploit, the resource in order to claim ownership as an “asset”.

Importance of Third-Party Validity

Financial reporting in Canada until December 31, 2010 was based on a vital presumption that transactions would primarily be recorded only when they were based on the occurrence of completed third party transactions.⁵ Such transactions were thought to have produced bargained prices and terms, and enforceable contracts when third parties had been involved. Payment to sellers was considered to be assured under such third party bargained contract terms.

Given its emphasis on the need for third party involvement, GAAP included stipulations or rules that, where a third party relationship did not exist, disclosure notes to financial statements had to be appended. For example, for the 2006-2010 period, the CICA Handbook required the following note disclosures:

“DISCLOSURE

- An enterprise should disclose the following information about its transactions with related parties:
 - (a) a description of the relationship between the transacting parties;
 - (b) a description of the transaction(s), including those for which no amount has been recognized;
 - (c) the recognized amount of the transactions classified by financial statement category;
 - (d) the measurement basis used;
 - (e) amounts due to or from related parties and the terms and conditions relating thereto;
 - (f) contractual obligations with related parties, separate from other contractual obligations;
 - (g) contingencies involving related parties, separate from other contingencies.”

⁵ As of January 1, 2011, Canadian GAAP was replaced by International Financial Reporting Standards for publicly-traded companies.

What was missing from Canadian GAAP was a requirement to have transactions between related parties recorded and reported at "current fair market values." Accordingly, the dollar figures that were actually being reported under GAAP still required a careful examination to ascertain their reasonableness and credibility.

In the case of Sino-Forest, and its financial dealings, the following considerations applied and yet were largely not specified:

- A. Of the reported transactions, which dollar amounts were conducted with third parties at bargained prices?
- B. Similarly, which transactions were related party exchanges at agreed upon prices which were not at fair market value? What was the dollar difference between fair market value and the transacted prices?
- C. For the related party (or non-arm's-length) transactions:
 1. did the buyers pay the sellers in cash, or was a non-cash intercompany account system utilized?
 2. when did the cash settlements, if any, occur? (How many dollars each year represented cash settlements?)
 3. if non-cash assets were being traded, which mechanisms were used to establish intercompany trading prices? (Were comparisons made to third party dollar figures?)
 4. how many dollars of trades in each calendar year during 2006-2010 inclusive had to be cancelled because of legal restrictions, non-availability of product, and similar reasons?
 5. how many dollars of trades in each calendar year occurred among or between related companies that were not 100% owned by Sino-Forest companies? (Who held the minority ownership shares?)

In short, what was the overall degree of related party transactions that had the effect of cancelling each other, and yet were being reported as the equivalent of third party transactions? Did Sino-Forest's accountants really know who were the related parties, and who were not? Additionally, were Sino-Forest's auditors in agreement with the company, and which processes did they undertake as auditors to gather the necessary related party evidence?

What was actually reported under the title "Related Party Transactions" in Sino-Forest's 2010 annual audited financial statements were references to:

- A. executive officers' pay being directed to their personal companies;
- B. accrued consultancy fees to these same executives' companies;
- C. references to the acquisition of shares and bonds of a related company;
- D. actual acquisition of shares of a related company; and
- E. acquisition by a director of Sino-Forest of convertible notes of a related company.

Missing from the related party note disclosure were vital references to the nature of relationships among Sino-Forest and its suppliers and purchasers of timber products. Absences of such a significant nature in Sino-Forest's disclosures would lead readers to conclude that suppliers and purchasers were legitimate third parties. Hence, transactions would have been assumed to have been made at fair market values. Yet, according to the IC, considerable doubt would seem to exist.

The IC's inquiries mentioned the existence of many related party circumstances in various entities that dealt with Sino-Forest. Thus, the assumptions that investors likely would have made about bargained third party prices would not have been valid.

The related party note disclosure in Sino-Forest's audited financial statements was therefore misleading. More troublesome is that a major concept of GAAP, being necessary reliance on third party transactions for appropriate dollar figures in financial

statements, had been ignored by Sino-Forest and its auditors. Indeed, much of Sino-Forest's audited financial statement package each year could have been fictional.

V. SINO-FOREST'S ACCOUNTING POLICIES

Excerpts of selected declarations from Sino-Forest's stated accounting policies for timber holdings and revenue are listed at **Appendix D**.

Notably, no references have been made in the annual audited financial statements to the Company's extensive use of AIs in the purported sale of timber. Similarly, the notes do not disclose the absence of cash flows to Sino-Forest for the timber sales (i.e., the "set off" arrangements between AIs and Sino-Forest's suppliers).

VI. ANALYSIS OF SINO-FOREST ACCOUNTING AND REPORTING

A. Historical Financial Results

A summary of Sino-Forest's annual balance sheet, income statement and statement of cash flows is set out at **Appendix E**, along with the analyses that were derived therefrom. The revenue, profit, net asset and cash flows that were reported by the Company all show extraordinarily positive trends. Yet, as will be discussed herein, especially serious fundamental flaws existed in Sino-Forest's accounting choices, often rendering them in violation of GAAP for material amounts of dollars.

Sino-Forest's audited financial statements showed:

1. Revenues increased each year from 2006 to 2010, from \$555 million to nearly \$2 billion.
2. Likewise, gross profits and net income from continuing operations remained positive and increased each year from 2006 to 2010.
3. Reported cash flows from operating activities consistently increased from 2006 to 2010.

4. The sale of timber and logs comprised approximately three-quarters of Sino-Forest's total revenues.
5. Timber holdings increased nearly four-fold since 2006, from \$753 million to over \$3.1 billion in 2010.
6. Timber Holdings comprised 54.5% to 70% of the Company's total assets each year from 2006 to June 30, 2011.
7. Timber holdings were recorded as a long-term asset until 2010 (under GAAP). Timber holdings were reclassified in 2011 with the portion expected to be sold within 12 months characterized as a current asset (and valued at historical cost) and the remainder characterized as a long-term asset (and valued at fair value).
8. Transactions in timber holdings were often inappropriately reported as follows (up to December 31, 2010):
 - (a) Purchases were recorded as "Investing" activity cash outflow on the cash flow statement. The supposed "Asset" was recorded on the balance sheet as "Timber Holdings", in the long-term asset section.
 - (b) Sales were recorded as revenue on the income statement; the accompanying "Cost of Sales" was comprised of costs taken from "Inventory" as well as an expense charge for "Depletion" from "Timber Holdings". The "Depletion" charge on the income statement resulted in a reduction of Sino-Forest's Timber Holdings assets.
 - (c) Being a non-cash "depletion" charge, the Timber Holdings cost was eliminated (or added back) when calculating Operating Cash Flows on the cash flow statement.
9. With respect to inventory, Sino-Forest appears to have been very adept at turning over its timber stock. Annual turnover ranged from 5 to 18 times of its average stock on hand each year from 2006 to 2010.

The seemingly favourable financial reporting trends were based upon the accounting choices selected by management and approved by the external auditors. As will be elaborated herein, such accounting treatments were not appropriate given the available evidence (or lack thereof).

B. Ownership of Timber

In order to report timber holdings as an “asset”, certain fundamental attributes must exist. Such characteristics, as outlined in the CICA Handbook, are summarized at **Appendix C** in accounting for “assets”. The ability to exploit a resource (obtain economic benefits) and to control such exploitation are necessary criteria. One measure of an entity’s ability to obtain benefits is its having legal title to the ownership of an economic resource.

Based upon the documentation that we have reviewed, Sino-Forest’s claims to legal ownership of standing timber acquired under the purchased plantation model have been, and continue to be, subject to challenge. Reliable independent evidence of ownership has not been obtained.⁶

The ownership of Sino-Forest’s timber holdings was the subject of much attention in both the Muddy Waters’ report and the IC’s investigation. Muddy Waters alleged that Sino-Forest’s reported holdings were overstated and not plausible (given various geographic, legal and economic facts in China).

As a result, the IC sought to confirm Sino-Forest’s ownership, and learned the following, according to them:⁷

1. The IC verified registration of title to only 17.9% of the planted plantations.
2. The IC verified contractual claims to 81.3% of plantations.

⁶ According to the IC confirmations from local forestry bureaus do not constitute official documents and cannot be relied upon as evidence of ownership. Transaction documents with Suppliers and AIs are suspect given the undisclosed (and apparently, extensive) inter-relationships between the Company and the counter-parties via former employees and contractors.

⁷ Second Report of the IC, dated November 13, 2011, page 4.

3. The IC chose to verify ownership through review of original contracts.

However, the nature of the IC verifications demand questioning. The Second Report advises that Sino-Forest did not obtain registered title to BVI purchased plantations (planted plantations, for which titles are registered, are not of primary concern).⁸ Original contracts bear little, if any, evidentiary value given concerns regarding relationships between Sino-Forest and its Suppliers.

As a result, the IC has purportedly verified some of the ownerships by visiting forestry bureaus, suppliers and AIs to verify the chain of title and confirmation of payments. Purchase contracts, set-off arrangements and forestry bureau confirmations were relied upon by the IC as evidence. On its face, the verification procedures would appear to be reasonably robust. Yet, the further explanations of the IC reveal that the written confirmations and attempts to contact Sino-Forest's AIs and Suppliers were not sufficient to establish ownership for accounting purposes:

1. Forestry Bureau Confirmations:

The IC provided the following commentary on the confirmation process:

“The forestry bureau confirmations are not a form of official documents contemplated by the applicable regulatory regime. Rather, we believe, based on meetings with certain forestry bureau officials or former officials and with certain Suppliers, and discussion with Management, that they are documents issued at the request of either the Company or, more commonly, its Suppliers as a “favour” and should not be disclosed outside the Company or relied upon legally. They have what purports to be the forestry bureau's Chop on them. We believe the forestry bureau confirmations should be viewed as comfort indicating that the relevant forestry bureaus do not dispute SF's claims to the standing timber to which they relate, but which are not documents of title that could be relied upon in event of a dispute or in a court of law. However as noted below, a number of the forestry bureaus have indicated that these have been issued at SF's request and that the confirmations are for SF internal use only and may not be shown to third parties. This could limit the

⁸ Second Report of the IC, dated November 13, 2011, page 5.

usefulness of these documents in any legal dispute.”⁹ [Emphasis added.]

- (a) Forestry bureau confirmations in China are not officially recognized documents and are not title documents.¹⁰ The IC obtained little insight into the verification process of the bureaus or the methods through which confirmations can be obtained. Indeed, the IC was not able to obtain “complete comfort” into the methods by which the forestry bureau confirmations were obtained.¹¹
- (b) The IC was advised by a Supplier that Sino-Forest is the only customer who required confirmation letters for standing timber purchases (in addition to the purchase agreement). Issuing confirmations is not a typical practice and that such confirmations were provided as a “favour” at the request of the Company and Suppliers.¹²
- (c) The reliability of such confirmations is suspect in any case. The IC identified evidence that gifts or cash payments were provided to forestry officials for the issuance of confirmations.¹³
- (d) Notwithstanding the forestry bureau confirmations, the ownership of the lands and timber could be open to challenge.¹⁴
- (e) Challenges to ownership have occurred in the past, but apparently were resolved in a “manner satisfactory to the Company”.¹⁵ (The nature, frequency and particulars of past challenges to ownership are not disclosed.)
- (f) At least some of the confirmations were prepared by Sino-Forest on notional forestry bureau letterhead for local officials to “chop” (or stamp with its official mark). Management explained to Sino-Forest that the documents

⁹ Second Report of the IC, dated November 13, 2011, page 23.

¹⁰ Second Report of the IC, dated November 13, 2011, page 6.

¹¹ Second Report of the IC, dated November 13, 2011, page 6.

¹² Second Report of the IC, dated November 13, 2011, page 21.

¹³ Second Report of the IC, dated November 13, 2011, page 42.

¹⁴ Second Report of the IC, dated November 13, 2011, page 5.

¹⁵ Second Report of the IC, dated November 13, 2011, page 5.

were prepared to assist the forestry bureau officials who were providing a favour to assist the activities of the Company.¹⁶

Consequently, confirmations from local forestry bureaus provide little, if any, assurance of Sino-Forest's ownership of standing timber plots.

2. Uncertain Cash Flows:

The IC undertook to examine the process by which the Company directed payments between AIs and Suppliers. Notably, the IC was not able to verify actual movements of cash in connection with the purported "set-off" arrangements. The "set-off" process was purported to flow as follows:

- (a) A BVI that had receivables owing from an AI would issue instructions for the AI to make payments to a Supplier on behalf of that BVI, or another BVI. The instructions had to be signed and stamped, and indicated the amounts to be paid.¹⁷
- (b) Notification was given by the BVI to the relevant Supplier that payment for timber was being made through an AI on behalf of the purchasing BVI. The notification would be dated, stamped and signed, with the amount to be paid indicated.¹⁸
- (c) Upon payment, a confirmation would be issued by the AI that payment had been made to the Supplier as requested. The confirmation would not be dated, but would be stamped and indicate the amount that had been paid.¹⁹
- (d) Finally, a confirmation would be issued by the Supplier to the BVI that it had received payment from the AI. The confirmation would be dated, stamped and indicated the amount and date of payment received.²⁰

¹⁶ Second Report of the IC, dated November 13, 2011, page 42.

¹⁷ Second Report of the IC, dated November 13, 2011, page 52.

¹⁸ Second Report of the IC, dated November 13, 2011, page 52.

¹⁹ Second Report of the IC, dated November 13, 2011, page 52.

²⁰ Second Report of the IC, dated November 13, 2011, page 52.

The IC sought confirmation of actual cash movements between the AIs and Suppliers. However, Suppliers and AIs all declined to provide such confirmation. Common explanations for the refusals included unspecified “tax reasons”.²¹ Some AIs stated that they may not have in fact made payment themselves, but instead instructed other parties to make payments on their behalf.²²

The supposed tax advantages of the set-off arrangement were not explained to the IC by the AIs. On its face, several incongruities exist:

- (a) While the ESA supposedly require the AIs to withhold and remit relevant taxes on behalf of the BVIs, it is not clear how the AIs would possess the necessary information to compute the appropriate income taxes. Knowledge of the BVI’s cost of sales and other deductible expenses would be necessary to calculate taxable income.
- (b) We understand that Sino-Forest did not accrue substantial provisions for income taxes until the year ended December 31, 2010. (Charges against income would have been necessary even if they were remitted by the AIs on behalf of Sino-Forest.) The absence of income tax expenses would be logical if the “profits” were not taxable.

But another possible reason for tax exemption is that the sales were considered to be within a related group, and were not sold to an outside (or third) party. If this was in fact Sino-Forest’s position, it would be consistent with our view of the standing timber transactions, which is that the “sales” were not appropriate sales revenue, in accordance with GAAP. Transfers within one entity are not taxable in Canada.

One Supplier indicated that it would always use an intermediary to receive payments from a Sino-Forest AI. The reasons given were tax minimization and

²¹ Second Report of the IC, dated November 13, 2011, page 53.

²² Second Report of the IC, dated November 13, 2011, page 53.

the fact that the Supplier “did not have direct transactions with the AIs and therefore would be unable to account for the receipt of payment from the AIs”.²³ Such an explanation contradicts the very essence of the set-off arrangements whereby AIs were to be used to pay BVI debts owing to Suppliers. At the very least, the explanation casts doubt on Sino-Forest’s claim that set-off arrangements are common commercial practice in China.

The IC attempted to downplay the significance of missing Plantation Rights Certificates and written confirmations from forestry bureaus. Establishing the Company’s legal ownership of timber is supposedly readily done by having the *de facto* owner of the land grant authorization of the purchase contract.²⁴ The IC believes that if the Supplier refused to grant such authorization, the Company would have a claim under the theory of “unjust enrichment” against the Supplier. In light of the IC’s difficulties in locating Suppliers, and the apparent likelihood that Suppliers are simply “shell companies” devoid of assets, the practical feasibility of such claims is dubious.

In summary, the absence of proof of payment on purchases of standing timber, or collection on the sale of the same, is a serious deficiency. The absence of cash receipts is a glaring void given the importance for financial reporting purposes of establishing that Sino-Forest had the ability to access the economic benefits embodied by its purported timber holdings. In the absence of cash flows (representing the realization of the purchase and sale of the timber assets), Sino-Forest’s ownership of its timber holdings is cast into considerable doubt. Additional evidence must therefore be gathered and evaluated by an auditor before GAAP requirements can be met, such that the standing timber transactions can constitute revenues of the Company.

²³ Second Report of the IC, dated November 13, 2011, page 53.

²⁴ Second Report of the IC, dated November 13, 2011, page 24.

3. Relationships with Counter-Parties:

A major concern raised in the Muddy Waters' report was Sino-Forest's relationships with its counter-parties in the purchase and sale of standing timber. Allegations include close relationships among Sino-Forest, its Suppliers and the AIs. The effect of such relationships is that the reported purchases and sales of standing timber were fictitious or otherwise manipulated.

The IC attempted to obtain an understanding of the relationships among Sino-Forest and its Suppliers and AIs. The IC's findings are seriously troubling:

- (a) The Management of Sino-Forest had "not been forthcoming in clarifying the parties behind the Suppliers and AIs or the relationships with the forestry bureaus that Management stresses are important to the ongoing business."²⁵
- (b) The IC purportedly investigated various AIs for relationships with Sino-Forest. Of the fourteen AIs examined, nine had officers or shareholders with connections to Sino-Forest (e.g., as former employees). Many also had relationships with Suppliers.

We further understand that Sino-Forest transacted with only five AIs from 2006 to 2011 (AIs # 1, 2, 3, 4 and 6, as identified by the IC). Each of the five recently active AIs had connections to Sino-Forest. AI #6 was wholly-owned by one shareholder with connection to Sino-Forest.

Summed up, related party relationships were extensive.

A summary of the IC's findings on AI relationships is set out at **Appendix F**.

²⁵ Second Report of the IC, dated November 13, 2011, page 15.

(c) The IC also attempted to conduct site visits to confirm the existence of AIs²⁶:

- (i) Advisors to the IC were instructed to conduct unannounced site visits.
- (ii) The site visits occurred over three days, to addresses that were provided by Sino-Forest management.
 - AI #2 had three addresses listed; the company was eventually found at one of the locations but had changed its name. Brochures on site also indicated the involvement in the AI of a shareholder of one of Sino-Forest's Suppliers.
 - AI #3 was listed at two addresses. It had supposedly recently vacated one site, and could not be located at the other.
 - AI #4 could not be located at its Shanghai address.

A summary of the IC's observations is set out at Schedule V.C.II of its Second Report.

- (iii) An obvious question that was not pursued by the IC is whether AIs were ever directed to pay off Suppliers prior to the end of normal payment period or prior to the onward sale of timber by the AI. If no set-offs were directed until timber was actually sold, the arm's length status of the relationship would be cast into doubt. Coordination of cash flows would evidence close collaboration and a principal-agent relationship.
- (iv) Prior to 2010, Sino-Forest reported minimal income tax liabilities. According to the ESA, the AIs were responsible for withholding and remitting income taxes on behalf of the BVIs. Assuming that the

²⁶ Second Report of the IC, dated November 13, 2011, pages 54 to 55.

BVIs generally were subject to Chinese taxation, the conspicuously nominal amounts of income tax expenses reported suggests that the AI sales were not taxable transactions. An obvious explanation would be that the sales were made between related parties, and did not represent a culmination of profits earned for income tax purposes. Thus, the sales were not valid revenue in accordance with GAAP.

(d) Yuda Wood:

Yuda Wood was a major Supplier to Sino-Forest. The IC attempted to probe the relationship between Sino-Forest and Yuda Wood:

- (i) Huang Ran, the general manager and legal representative of Yuda Wood was discovered to not be a current employee of Sino-Forest (which suggests that he was a past employee of the Company).
- (ii) Over 50% of Yuda Wood's sales transactions were with Sino-Forest.²⁷
- (iii) Sino-Forest was the only company to whom Yuda Wood sold standing timber.²⁸
- (iv) Evidence was discovered of close cooperation between Sino-Forest and Yuda, including²⁹:
 - Administrative assistance provided by Sino-Forest;
 - Possible payment of start-up capital to Yuda Wood;
 - Joint control of Yuda Wood's bank accounts; and,

²⁷ Second Report of the IC, dated November 13, 2011, pages 71 to 72.

²⁸ Second Report of the IC, dated November 13, 2011, pages 71 to 72.

²⁹ Second Report of the IC, dated November 13, 2011, page 7.

- Correspondence (emails) indicating coordination of funding and business activities.

(v) Ran also had control of various other Suppliers to Sino-Forest.

Summed up, the close relationships should have been very disturbing for external auditors.

(e) Other Suppliers:

At least 13 of the 18 Suppliers that were examined by the IC had former employees as shareholders or officers. Many also had connections to AIs. The former employees held ownership interests ranging from 20% to 100% in their respective Supplier companies. The Suppliers' transactions with Sino-Forest ranged from tens of millions to over several billion renminbi (RMB). A summary of the IC's findings is set out at **Appendix F**.

The IC's investigation of Sino-Forest's Suppliers and AIs indicated that "close relationships" and cross-ownership and "other relationships with each other" likely existed.³⁰

The IC's investigations not only failed to disprove the existence of close relationships, but the apparent facts suggest that non-arm's length relationships were likely the disturbing norm rather than the exception. Hence, considerable evidence points to Sino-Forest's having reported material sales revenue that was not in accordance with GAAP.

The IC's reluctance to admit the obvious is likely due to its awareness of the consequences. Indeed, the Second Interim Report acknowledges that "to the extent that any of Sino-Forest's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted".³¹ Notwithstanding the

³⁰ Second Report of the IC, dated November 13, 2011, page 7.

³¹ Second Report of the IC, dated November 13, 2011, page 7.

IC's apparent insistence upon downplaying the finding of a "smoking gun" of related party status, we believe that the existing, available evidence provides (and should have provided) more than enough reason for auditors to suspect material improprieties.

GAAP reporting requires that various conditions must be met before sales revenue may be recorded and reported. One vital requirement is that the sales have to be to third-parties, whereby dollar amounts have been bargained, and cash receipts are imminent. If third party involvement does not exist, considerable note disclosure is required under GAAP.

It is particularly important to observe that the IC's review of related parties was focused on personnel with direct connections to Sino-Forest (e.g., employees and consultants). As noted for Trading Co. #1, shareholders of companies may comprise family members of connected individuals.³² Yet the IC's shareholder analysis of AIs and Suppliers focuses on former employees and consultants. Little mention is made by the IC of Supplier shareholders who are related to the employees, such as family members or friends. Importantly, no indication exists in the IC's reports that its Advisors probed the identities or backgrounds of the non-Sino-Forest related shareholders. A serious concern exists that the 13 Suppliers (and possibly other Suppliers for which no direct connections through employees were identified) have undisclosed connections with the Company.

Similar concerns exist with AIs. Hence, audit "red flags" were extensive.

A further concern should have been connections between AIs and Suppliers. Shareholders and managers being in common create a likely risk of non-arm's length dealings occurring under Sino-Forest's set-off arrangements. Taken as a whole, Sino-Forest's network of BVIs, AIs and Suppliers operated as a closed commercial system whereby purchases and sales occurred among the same small group of counter-parties. Without outside interaction to validate

³² Second Report of the IC, dated November 13, 2011, page 80.

transaction values, or even the occurrence of transactions (e.g., the payment of cash to prove the *realization* of revenue), the risk of fraud or manipulation of transactions and values becomes immeasurably high.

In summary, in our opinion, the IC's efforts to verify ownership of timber tracts prove that substantive evidence could not be obtained to support Sino-Forest's ownership of much of its timber holdings. Such lack of evidence of ownership and third-party sales indicates that revenue should not have been reported when such conditions existed. Consequently, reported audited revenues on Sino-Forest's historical financial statements for at least 2006 through to 2010 are highly likely to have been materially overstated. The IC's findings point directly to falsified and materially misleading audited annual financial statements.

Worthy of special mention are:

1. The reliability and credibility of external confirmations obtained from forestry bureau officials is highly suspect. The confirmations do not comprise official documents, and evidence exists that Sino-Forest tampered with the confirmation process by preparing documents for the forestry bureaus.
2. Transaction documents among Sino-Forest's BVIs, the AIs and Suppliers are highly suspect given the apparent close relations among the parties.

C. Valuation of Timber Assets

The IC's conclusion regarding the value of Sino-Forest's timber assets is simply that the \$2.476 billion reported on the 2010 balance sheet "reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors".³³ Given the dubious nature of the relationships among Sino-Forest, the AIs and its Suppliers, verification of transaction documents hardly provides assurance that the recorded (book) values represent fair market or bargained arm's-length values.

³³ Second Report of the IC, dated November 13, 2011, page 6.

The usefulness of transaction document comparisons among related or possibly related parties are marginal at best and may be a particular example of the IC's attempt to feign an informative investigation.

The IC also sought independent valuation of Sino-Forest's purported timber assets. The valuation is ongoing as of the date of the IC's Final Report. However, if ownership is in doubt in some situations, the valuation issue may not become relevant unless cutting rights are held by Sino-Forest.

VII. CASH FLOW REPORTING

A. Background

Ernst & Young LLP rendered audit reports on the financial statements of Sino-Forest for the years prior to 2005 and for the years ended December 31, 2007 through 2010. These opinions stated, in part:

“In our opinion, the consolidated financial statements present fairly, in all material respects...cash flows...in accordance with Canadian generally accepted accounting principles.”

In our opinion, this statement is materially misleading to financial statement readers. Sino-Forest and its auditors seriously violated Canadian GAAP year after year in the preparation of the “cash flows from operating activities” section of Sino-Forest's cash flow statement. Consequently, financial analysts and investors were led to believe that Sino-Forest was far more successful in generating operating cash than was actually the case.

Similarly, for the years ended December 31, 2005 and 2006, BDO rendered the same type of deficient and misleading opinion. These BDO opinions were also materially misleading for the reasons described below.

As an example, E&Y dated its signed audit report “March 14, 2011” for the year ended December 31, 2010. “Cash flows from operating activities” for 2010 were reported as audited \$840 million U.S. dollars. What should have been reported was

a much lower dollar amount of \$94 million U.S. dollars. Sino-Forest overstated the figure by almost 900% for 2010.

In our opinion, “cash flows from operating activities” are a crucial figure that analysts and investors monitor when measuring the financial health of an entity. Cash inflows have to arise from one or more of only three sources:

1. Cash flows from operating activities.
2. Financing sources (such as the sale of bonds or shares, typically to third parties).
3. Dis-investing (or selling the entity’s long-life assets).

Dis-investing results in shrinking a company, and is usually an indicator of negative financial health. Financing sources of cash are appropriate when a company is growing, but could also be an indicator of declining financial health, and the need to borrow. It therefore has to be watched closely to ascertain the reasons for the financing(s).

Generally, “cash flows from operating activities” tends to receive the greatest attention from analysts. Low “operating activity” cash flows (absent the obtaining of greater financing) means that the company cannot pay dividends, or acquire more assets, or modernize, or engage in other vital activities so as to increase future profits. Indeed, negative “cash flow from operating activities” could be a warning of pending financial failure.

Valuations of a company’s overall worth, are often decided in significant part by applying a “valuation multiple”, such as 5 or 10 or more times, to “cash flow from operating activities” per share.

In brief, in our opinion, an overstatement by almost 900% of a company’s “cash flow from operating activities” is exceedingly serious. Issues such as the survival of the corporation would have had to have been entertained, had the company provided a reasonably accurate cash flow statement each year in its audited financial statements.

In summary, there are two deficiencies with Sino-Forest's cash flow statements; adoption of non-cash "depletion" and mismatching cash flows. These are discussed in greater detail on the following pages.

B. The Misleading Financial Statements.

In essence, in our opinion, Sino-Forest and its auditors clearly violated several basic concepts of Canadian GAAP for the several years leading up to December 31, 2010. Although a few accounting complexities existed in the general Sino-Forest business situation, what occurred in preparing the financial reporting was actually a simple, but thoroughly inappropriate and misleading, process.

Overall, when Sino-Forest acquired tracts of growing timber, the company inappropriately chose to call the purchase cost an "Investment" or investing activity on the cash flow statement. Traditionally, an "investment" would be considered to be a long-lived (or non-current) asset that would be used gradually over many future years, to generate revenue and profit. A relevant example would be a tree farm, where trees grow over many years before they become ready for harvesting.

A long-term "investment" category could be contrasted with what is called "inventory" (a current asset), which is intended to be sold, usually within the next year, or a longer life cycle for the particular business. Inventory are goods that are ready for sale without needing further growth or transformation.

On a cash flow statement, when inventory is sold, its cost in effect temporarily reduces the "cash flow from operating activities." That is, when the selling price of the inventory exceeds its cost, the net figure (selling price less inventory cost), and not the gross revenue figure, gets reported as "cash flow from operating activities." Hence, the "matching" concept of GAAP enters the picture, and requires the cash cost of the inventory to be subtracted from cash sales revenue to show any net addition to "cash flow from operating activities." By using the "net" dollar amounts of cash inflow, the financial statements would be aligned with what actually

happened, because any net cash increase from a transaction would arise from cash revenue less cash cost of inventory.

What Sino-Forest was largely reporting in its annual audited, and quarterly, financial statements was not the purchase of soon-to-be-sold inventory, but the acquisition of what Sino-Forest and its auditors labelled as a long-term investment. Categorizing timber inventory as a long-term non-current investment, particularly when that inventory is frequently being traded or sold, is a clear violation of GAAP, and has been for several decades.

In short, when soon-to-be-sold timber was acquired, the cost became an “investment” for cash flow reporting purposes under Sino-Forest’s inappropriate investing-activity reporting. But, when the timber lands were sold, the entire sales proceeds were called “cash flow from operating activities” (which was an entirely different category within a cash flow statement.) Thus, “cash flow from operating activities” became grossly overstated under Sino-Forest’s unrealistic and highly misleading reporting methods.

In Sino-Forest, no subtraction from the timber sales proceeds was being made on the cash flow statement for the cash cost of the timber tracts that had been sold. A massive overstatement of “cash flow from operating activities” thus occurred, year-after-year. “Cash flow from operating activities,” as reported in the audited financial statement, was therefore materially false because cash costs were being ignored. Gross cash increases were being reported instead of net-of-cost cash increases.

Costs or cash outlays were hidden in the “investments” or investing activities section within the cash flow statement. But, revenue or cash inflows, ignoring closely related offsetting cash costs, were permitted to be labelled “cash flow from operating activities”, which is a completely different and extremely important section of the cash flow statement.

Significantly, Sino-Forest's chosen accounting treatments for cash flow reporting of timber sales is directly contradicted by its own admissions. In responding to the Muddy Waters report, the Company stated that it did not harvest trees. Rather, it sold standing timber.³⁴ This is consistent with our view that Sino-Forest traded in standing timber, and did not treat standing timber as a long-term investment. Accordingly, it was not appropriate for Sino-Forest to have characterized standing timber in purchased plantations as an investment, for disclosure as an investing activity for cash flow reporting purposes.

C. Inventory as Investments

Categorizing inventory as "investments" constituted a serious violation of GAAP. But, there were more GAAP violations. These all resulted in an absence of "fair presentation" (as set forth in the auditors' reports) and the existence of "materially misleading" financial statements, year-after-year (contrary to the wording of the annual auditors' reports).

In our opinion, as forensic accountants who have been engaged to analyze many financial reporting discrepancies over many years, the mechanism that was employed by Sino-Forest to overstate "cash flow from operating activities" is significantly unusual, disconcerting, and highly improper. The dollar misstatements that occurred were deceptive and grossly in excess of financial reality.

Instead of using the usual procedure of deducting the cost of the sold timber lands from the sales revenue, in a "matching" exercise, the company chose a clearly non-GAAP approach year-after-year of calling the costs of sold lands a "depletion" (a non-cash concept). Such inappropriate reporting had the effect, in cash terms, of showing a zero cash cost for sold timber tracts. That is, depletion expense is a non-cash item. As such, the depletion expense (non-cash) item on the income statement was automatically turned into a zero figure on a cash flow statement, because depletion is not a cash expense. As such, non-cash cannot be reported on a cash flow financial statement. Thus, from a cash viewpoint, "cash flow from operating

³⁴ See Sino-Forest's June 3, 2011 press release "Sino-Forest Comments on Share Price Decline".

activities”, using Sino-Forest’s reporting method, results in zero cash cost for sold timber being charged against the purported revenue. Cash receipts from the sales were fully included, by Sino-Forest, essentially offset by zero costs, in the “cash flows from operating activities” section of the cash flow statement.

In our opinion, such an unsuitable and highly misleading choice required considerable “planning”. Commonly, situations which create “new” methods of financial reporting require extensive discussion with the company’s auditors. The result of the decision led directly to the financial statements being materially misleading, or containing an especially cumulative material misstatement, over many years, including from 2006 onward.

The “Independent Auditors’ Report” signed by E&Y for fiscal 2010 stated, in part:

“We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.” [Emphasis added.]

As mentioned earlier, cash inflows from Sino-Forest’s basic operating activities, which were reported at U.S. \$840 million in 2010 instead of U.S. \$94 million, unquestionably constitute a material misstatement of Sino-Forest’s cash operating results. The difference of U.S. \$746 million was caused by calling the amount “depletion of timber”, a non-cash item, instead of a cash expense normally labelled as “cost of goods sold.”

The seriousness of the misstatement becomes magnified quickly. When financial analysts apply a valuation multiple (such as 10 times operating cash flow) to the U.S. \$746 million overstatement, the overvaluation of Sino-Forest, as a company, rises into the billions.

D. False Depletion

The adoption by Sino-Forest of non-cash “depletion”, instead of typical cash-based “inventory” reporting treatment over several years, clearly was not in accordance

with Canadian GAAP. “Cash” and “non-cash” are opposites. The principal reasons for concluding that the use of “depletion” in Sino-Forest was not justified are:

1. Sino-Forest, according to its sales records, was not in the primary business of growing, and then later harvesting, timber. That is, Sino-Forest was not a long-life tree farm, which would grow trees for harvesting. Instead, Sino-Forest’s audited financial statements show that it was mainly buying and fairly quickly selling large tracts of timberland, and logs.

For example, in the year ended December 31, 2009, of U.S. \$1,238 million of total revenue, U.S. \$954 million was from the “Sale of standing timber and harvested logs.” (Note 20 of the 2009 audited annual financial statements.) The U.S. \$954 million accordingly represented over 77% of Sino-Forest’s 2009 revenue. This same relationship occurred in each of the years from 2006 to 2010.

“Depletion”, according to Sino-Forest’s financial reporting, was being applied to sold timber. That is, their entire depletion expense of U.S. \$522 million was recorded as applying against the U.S. \$954 million of sold timber. Zero dollars of depletion are noted as applying to inventory of unsold logs.

Further details about the composition of “Cost of sales” and “Timber holdings” was not provided in the audited annual financial statements for most years. Hence, crucial information about the sales split between “standing timber” and “harvested logs” was withheld from investors. However, supporting further details are available for some of the years elsewhere in the earlier annual reports of Sino-Forest.

Harvesting of logs incurs the costs of labour and affiliated expense overheads, as well as the cost of logs. At Sino-Forest’s year end, such unsold logs at cost should constitute “inventory.” Note 5 to the 2009 audited annual financial statements shows only U.S. \$22 million of “Timber logs”. Exactly which parts

of the U.S. \$22 million are made up of labour, overheads and log costs were not provided. Quite possibly inventory of logs arose solely from log purchases.

With an “inventory” turnover of about six (6) times in 2009, Sino-Forest’s harvesting revenue and related costs would not appear to be large in relation to probable sales of standing timber. Hence, the principal business operations of Sino-Forest, at least in 2009, would appear to be sales of tracts of standing and growing timber. Thus, sales of timber “investments”, using Sino-Forest’s categorization, should have been shown in the “investments” or investing activities section of the cash flow statement, and definitely not in the “cash flow from operating activities” section of a cash flow statement.

2. Further evidence that Sino-Forest’s principal business operations over the six years 2005 to 2010 were sales of standing timber, and that such sales really constituted sales of inventory (as opposed to sales of “investments”), can be obtained by comparing “Additions to timber holdings” to “Depletion of timber holdings included in cost of sales” on the “Consolidated Statements of Cash Flows” for each of the years 2005 to 2010.

In millions of U.S. dollars, for 2005 to 2010 inclusive:

	U.S. dollars in <u>millions</u>
Additions in total to timber holdings	<u>\$4,368</u>
“Depletion,” or sales cost, according to Sino-Forest	<u>\$2,756</u>
That is, sales and harvesting in the same six-year period, as a percentage of “additions” was:	<u>63%</u>

Accordingly, Sino-Forest’s main business was as a short-term trader of purchased standing timber. Such standing timber therefore clearly represented

“inventory”, which was readily available for sale. As such, the standing timber, at least in significant part, would constitute a “current asset” in accounting terms. New purchases of standing timber in effect were being turned over in less than two years (given the 63% sale rate in one year). In the resource business, such quick sales would occur for inventory traders, and not long-term tree farming and extraction industries.

3. Even when we examine the year end holdings of Sino-Forest’s “Timber holdings”, a similar quick turnover picture arises:

<u>Timber Holdings</u>	
U.S. dollars in <u>millions</u>	
Year end 2010	\$3,122
Year end 2009	2,183
Year end 2008	1,653
Year end 2007	1,174
Year end 2006	753

Using the entire “Timber holdings” at year end 2010, and the U.S. \$746 million Sino-Forest depletion figure for 2010, only about four (4) years would be required to sell or harvest their entire or total declared timber assets as of year end 2010. Obviously, if the recorded audited asset values had somehow been overstated in 2010, the four year figure would be correspondingly less. Hence, Sino-Forest, in reality, was not a long-term tree farm; its annual audited financial statements portrayed the company as an inventory trader, but one which grossly overstated actual “cash flow from operating activities.” The “depletion” concept was therefore inappropriate and misleading given the nature of Sino-Forest’s business operations.

4. In the accounting literature, the term “depletion” is usually employed with reference to diminishing assets, as occurs with the extraction of ore, natural gas and oil.

Timber constitutes a significantly different asset. Standing trees can be replenished over time through natural growth. Other resources such as oil and gas deplete as they are extracted, and cannot be replenished at the same location.

The book “Terminology for Accountants”, published by the Canadian Institute of Chartered Accountants (“CICA”), defines “depletion” as:

- “1. A reduction in quantity of wasting assets as a result of consumption or removal.
2. A charge in an accounting period to reflect that portion of the cost or other recorded value of wasting assets consumed or removed in that period.”

In effect, when trading of goods (as opposed to growing, tree farming or replenishing) is the main preoccupation of a company, the goods traded constitute “inventory”. Goods are purchased; goods are sold; inventory turnover is vital to the entity. Farming (such as growing wheat or trees) involves replenishing the product for sale, and therefore would normally encounter lesser dissipation of the land’s ingredients, over time. But, the degree of permanent consumption of resources as occurs with oil and gas extraction is usually significantly greater than for tree farming. It is the permanent exhaustion of the resources that leads to the accounting usage of the term “depletion.”

As stated previously, accounting depletion is not cash-based, but is an expense that is used in the process of measuring income, which is the purpose of an income statement. Being non-cash, depletion does not belong on a cash flow statement, which focuses on cash liquidity, and not on profitability or income.

Depletion is an “accrual accounting” income measurement term, and is a non-cash-expense. Depletion appropriately belongs on an income statement, because it is an expense of earning income. In sharp contrast, “inventory” is cash-based, and therefore logically becomes a crucial cost to be accounted for in a “cash flow” statement, being netted against cash revenue from timber sales.

In summary, Sino-Forest’s use of the non-current asset term “Timber holdings” for all of its timber asset purchases was clearly inappropriate given the nature of its proclaimed “trading” operations. Sino-Forest was not exclusively depleting land and timber resources and avoiding re-planting, as would occur in a business such as the extraction of oil and natural gas. To the extent that Sino-Forest might have been devoting a small part of its assets to tree farming, minor depletion might then apply.

But, the reported financial amounts show that timber trading was Sino-Forest’s main operating focus in 2010, 2009 and at least back to 2008. Logical accounting and financial reporting would have labelled the timber assets to be traded as “inventory”, a cash item. Sino-Forest chose otherwise, and materially violated GAAP by not offsetting cash costs of timber against revenue from sales.

E. Mismatching Cash Flows

On its annual audited cash flow statement Sino-Forest inappropriately:

1. recorded cash or equivalent receipts for most timber sales within the crucial corporate success-monitoring category, labelled “cash flows from operating activities”; but,
2. reported cash disbursements for timber tract purchases in the separate “investing activities” section of the cash flow statement.

The result was a gross mismatch and overstatement of “cash flows from operating activities” because cash disbursements for timber acquisitions were not being subtracted from cash receipts, to arrive at any net increase in cash for Sino-Forest for its “operating activities”, as opposed to “financing” or “investing” activities.

The Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”), which sets forth many aspects of GAAP, in its section dealing with the cash flow statement clearly identifies that what Sino-Forest was reporting was a serious violation of GAAP. The CICA Handbook states in part:

“Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the enterprise. Therefore, they generally result from the transactions and other events that enter into the determination of net income or loss...” [Emphasis added.] [Section 1540.16]

“Some transactions, such as the sale of a capital asset, may give rise to a gain or loss which is included in the determination of net income or loss. However, the cash flows relating to such transactions are cash flows from investing activities.” [Emphasis added.] [Section 1540.16]

“An enterprise may hold securities and loans for trading purposes, in which case they are similar to inventory acquired specifically for resale. Therefore, cash flows arising from the purchase and sale of trading assets are classified as operating activities.” [Emphasis added.] [Section 1540.17]

“Expenses are recognized in the income statement on the basis of a direct association between the costs incurred and the earning of specific items of income. This process, commonly referred to as the matching of costs with revenues, involves the simultaneous or combined recognition of revenue and expenses...” [Emphasis added.] [Section 1000.51]

Sino-Forest and its auditors ignored the vital “matching” foundation concept of GAAP, which is the very basis of computing accounting income. Income, in turn, especially cash income “from operating activities” is a major component in the calculation of a corporation’s stock value. Matching of cash disbursements to cash receipts is accordingly vital in a cash flow statement’s focus on cash liquidity.

Sino-Forest and its auditors faced the following two main alternatives:

1. Standing timber purchases could be called a non-current investment asset, with the emphasis being on “investment”, which would make sense for a longer term tree farming focus. If so, any eventual gains (such as arising from the eventual

selling price of timber being in excess of its acquisition cost) would be shown in the “investing” section of the cash flow statement.

2. Alternatively, acquisitions of timber tracts could have been called “inventory”, or a similar “trading” name, which is then often called a current asset. When inventory is being traded, as a fundamental business purpose of the company, both the cash purchase cost and the cash receipts on sale are automatically matched as part of “cash flows from operating activities.” That is, the main purpose of the business is “trading activities,” with the net cash effects being called “cash flow from operating activities.”

Instead of following only one of the two obvious GAAP alternatives, Sino-Forest and its auditors chose the so-called “convenient” or “best parts” of each opposing alternative, and thereby enormously inflated the fundamental yardstick measure of success labelled as “operating cash flows”. Such an appropriate combination was a clear violation of GAAP, as was described above.

The mismatch allowed cash expenditures to not be subtracted from cash receipts thereby bloating “cash flow from operating activities.” Valuation analysts thus would have been materially misled, and probably would have seriously misled their investor clients concerning the value of Sino-Forest’s shares.

“Cash flows from operating activities” are, in an important sense, “sacred” to analysts. Many analysts’ valuation models utilize terms such as “EBITDA” which are often just slight variations of “operating cash flows.”

As the CICA Handbook stated at the time, in Section 1000.11:

“...the objective of financial statements for profit-oriented enterprises focuses primarily on information needs of investors and creditors...” [Emphasis added.]

Sino-Forest’s management and its auditors’ decision to regard the timber acquisition costs as being subject to “depletion”, which is a non-cash concept, had a direct misleading and exaggerating effect on the cash flow statement. “Depletion”

types of non-cash add-backs to income caused timber acquisition costs to vanish, in accounting terms. In reality, cash resources had to have been utilized for timber acquisitions. Hence, “cash flow from operating activities” became grossly overstated by Sino-Forest, especially in the years since 2005 up to 2010.

In our opinion, such clearly inappropriate “reasoning” which resulted in Sino-Forest’s material violations of GAAP, is highly disturbing. The CICA Handbook clearly calls for a separation of “investing activities” from “operating activities.” [Section 1540.12] Valuation multiples that are commonly applied to cash generated by “operating activities” cause such “errors” or distortions in calculations of operating cash flows to become especially serious, especially when they are multiplied into becoming false corporate-wide values.

F. Changing Nature of Sino-Forest

A review of Sino-Forest’s audited annual financial statements since the year 2000 indicate that the nature of its operations was changing in material ways over the years. Revenue in 2000 of U.S. \$127 million had increased to U.S. \$1,924 for 2010. Similarly, depletion of U.S. \$1 million in 2000 rose to U.S. \$746 million in 2010.

Trading revenue from wood logs nearly doubled between 2005 and 2010, whereas revenue from “plantation fiber” increased almost six (6)-fold in the same period. Much of the increase commenced in 2005 to 2006. Trading, and not tree farming, grew rapidly in Sino-Forest, as is demonstrated by the six-fold increase.

Given the nature of Sino-Forest’s changing operations, a significant question has to be addressed: did Sino-Forest require a serious revamping of its accounting and reporting principles commencing in 2005 to 2006? Specifically, should Sino-Forest have had two sets of accounting principles for two distinct business models: tree farming vs. timber trading?

We already know that Sino-Forest wedded itself over the years to the one materially misleading cash flow model or concept of depletion of supposedly tree farming

timber holdings. Such reporting could be fitting for a tree farm operation where tree growth and harvesting occur over perhaps 40 years. But, ascertaining the amount of depletion would likely be a difficult task, given replenishment growth in a tree farm.

However, according to its significant fluctuations in year end timber holdings relative to acquisitions or purchases of timber tracts, as noted in its audited financial statements, Sino-Forest was in the trading and harvesting business over the short near term. Both trading and short-term harvesting operations have to be reflected, as main purposes of a business, in “cash flow from operating activities”, by definition.

The CICA Handbook (Section 1540) specifically addresses the problem that Sino-Forest was facing as its business changed its prime focus. A choice could have been made to report all of the short-term trading and harvesting operations in the “investing” section of the cash flow statement. In essence, Sino-Forest might have declared itself to be a long-term tree farm. However, if the timber tracts actually were for mature trees, such a declaration would be contrary to facts.

But, Sino-Forest and its auditors chose to ignore the clear language (stated earlier) of the CICA Handbook. Despite the overwhelming facts that Sino-Forest was engaged in “trading”, mainly on a short-term basis, Sino-Forest and its auditors clung to not only a non-GAAP application of depletion, but also to mismatching of cash flows by using two totally different portions of the cash flow statement. The materially mismatched cash flows had to have been obvious to both Sino-Forest and its auditors.

To make matters worse for shareholders of Sino-Forest, investors generally, and analysts, the financial item that was chosen for gross overstatement was “cash flow from operating activities.” The magnitude of overstatement in 2010 of nine (9) times applied to share price valuation multiples of, perhaps six (6) times, results in a potential overstatement of share price of fifty-four ($9 \times 6 = 54$) times. In short, the overstatement was extreme and alarming.

In our opinion, Sino-Forest and its auditors had to have known that many analysts were writing reports on Sino-Forest as a company. Overstatements of critical dollar numbers of the foregoing magnitude had to have material consequences. The life of Sino-Forest was being prolonged by misleading financial reporting.

G. Financial Analyst Reports

Based on readily available reports, many financial analysts closely followed the financial activities of Sino-Forest. Releases by Sino-Forest of its annual audited financial statements invariably led to the frequent publication of analysts' updates on its expected stock pricing.

A few of the broker companies that appeared to utilize "cash flow from operations" in important parts in their investment analyses included:

1. Dundee Capital Markets - March 16, 2010
2. Credit Suisse - March 16, 2010
3. Morgan Stanley Research - March 16, 2010
4. Scotia Capital - March 16, 2010
5. RBC Capital Markets - March 16, 2010

A similar group of analysts' reports that appeared to use "cash flow from operations" or equivalents in their valuations were issued for 2009 and prior years' Sino-Forest results.

In our opinion, as previously stated, the "cash flow from operations" figures were certainly materially misleading. Accordingly, the value of Sino-Forest as a company became seriously overstated. A collapse of Sino-Forest's share price was not surprising, if not inevitable.

H. Cash Transactions

The extent to which cash actually circulated in and out of Sino-Forest from third parties has yet to be determined. Further investigation is required.

However, the degree to which previously-mentioned questionable “cash flows from operating activities” (after having been adjusted for false non-cash depletion) would still have constituted a misstatement of facts, merely compounds the violations of GAAP reporting, as well as of auditing standards. Entities that report accounting profit that is grossly in excess of net cash receipts from operations frequently encounter liquidity crises. The fact that Sino-Forest’s actual “cash flow from operating activities” were far lower than claimed would have contributed to its current cash flow crises.

Accordingly, our earlier comments about Sino-Forest’s corporate valuation being overstated because “cash flows from operating activities” were grossly overstated, are not the full story. If, as alleged, actual cash receipts as reported were not in fact being received in cash, an additional serious problem existed in Sino-Forest.

The compounding effect of overstated “cash flows from operating activities” and reported cash flows that did not in fact occur in cash must be added together. The combination of dollars of misstatement would be hugely in excess of “material dollars” for their effects on investors, and their decisions.

Consequently, in our opinion, had E&Y and BDO performed GAAS compliant audits, they would have to have known that Sino-Forest’s financial reporting was not in accordance with GAAP. No doubt ought to have existed in the minds of experienced accountants that Sino-Forest’s annual audited financial statements were materially misstated, and had been so for multiple years leading up to December 31, 2010. But, the uncovering for shareholders of hidden numbers (however, not so hidden for auditors) was vital to grasp the material financial manipulations.

VIII. ANALYSIS OF EXTERNAL AUDITOR PERFORMANCE

A. Generally Accepted Auditing Standards

The Canadian Institute of Chartered Accountants' Handbook (the "CICA Handbook") sets out professional standards for the audit of financial statements. Additional guidance may be found in professional auditing literature, textbooks and academic research.

CICA Handbook Section 5100 (Generally Accepted Auditing Standards) states, in part:

*"Generally Accepted Auditing Standards are as follows:
The examination should be performed and the report prepared by a person or persons having adequate technical training and proficiency in auditing, with due care and with an objective state of mind...."*

[CICA Handbook Section 5100.02, as of September 1975 and effective for the relevant period.]

Technical competence, care and an independence of attitude are crucial elements for performing a GAAS financial statement audit. E&Y and BDO were required by professional standards to exercise these important attributes in their audits of Sino-Forest's financial statements.

B. Responsibilities of Auditors

The role of an auditor is to express an opinion for shareholders on management's financial statements. Preparing financial statements, including the process of maintaining financial information and assembling the underlying data for the financial statements, are the responsibility of the audited entity's management.

CICA Handbook Section 5090 (Audit of Financial Statements³⁵) sets out the following, among other, guidance:

³⁵ Section 5090 has been in effect since June 1998, but was revised effective December 14, 2004. As of December 14, 2004, the "presumption of management's good faith" was deleted as an auditing postulate. Instead, an auditor is required to consider the "honesty and integrity" of management. An auditor does not

1. An auditor often initially designs and executes audit procedures under a presumption of management's good faith. This presumption of good faith may be applied in collecting and evaluating the sufficiency and appropriateness of audit evidence. However, consideration has to be given to management's integrity. Indications that question or contradict management's good faith that may be encountered during an audit must be taken into consideration, and audit procedures modified accordingly.
2. Management's good faith is not, in itself, a source of sufficient and appropriate audit evidence. The representations and assertions of management do not, in and of themselves, constitute sufficient audit evidence. If it were otherwise, audits would provide no real assurance to the shareholders. Independent audit evidence must be gathered and evaluated.
3. An auditor is also required to exercise "professional skepticism", which means that the auditor has to be alert to any evidence that contradicts any presumption of management's good faith.

Therefore, an audit can initially presume good faith conduct by management, but auditors must be cognizant of risks that management may act otherwise. Further, an auditor cannot blindly accept evidence, but must carefully consider the reliability and validity of the evidence that is collected. Importantly, management itself cannot be considered to be an adequate or complete source of audit evidence. Corroboration of management's accounting records and assertions with external, independently-obtained evidence is a crucial aspect of a GAAS audit.

C. Knowledge of the Business

In order to effectively obtain and evaluate audit evidence, an auditor must thoroughly understand a company's business. Knowledge of the business is also

assume honesty (or dishonesty), but is required to be alert to indications of dishonesty (i.e., exercise professional skepticism).

used to evaluate the accounting policies and financial statement presentation choices that have been made by management. Professional obligations to obtain and apply a “knowledge of the entity’s business” are set out in the CICA Handbook Section 5141 (Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement) for audits that were conducted in January 2006 and later. Knowledge of the entity’s business is crucial to the ability to conduct an audit. Note that the purpose of such knowledge is to facilitate the auditor’s evaluation of the entity’s transactions, accounting policies and the overall financial statement presentation. The implication is that an effective audit is not possible without such knowledge.

“The auditor should obtain an understanding of the nature of the entity. The nature of an entity refers to the entity’s operations, its ownership and governance, the types of investments that it is making and plans to make, the way that an entity is structured and how it is financed. An understanding of the nature of an entity enables the auditor to understand the classes of transactions, account balances and disclosures to be expected in the financial statements.”

[CICA Handbook Section 5141.025, effective January 2006.]

The application of knowledge is not a singular or isolated event. GAAS requires that the auditor apply his/her knowledge of the client’s business in a continuous and cumulative manner.³⁶ Procedures should be contemporaneously modified if material information is discovered in the course of the audit. For example, if it becomes apparent that management’s integrity is suspect, all audit evidence that originated from management must be reconsidered. Alternate, external sources of data would have to be obtained to replace information provided by management. If external evidence is not available, an external GAAS audit may not be possible to achieve.

E&Y and BDO were obligated under GAAS to make themselves aware of Sino-Forest’s peculiar business model, including the ESA’s, the set-off arrangements, and the trading procedures for standing timber.

³⁶ Obtaining an understanding of an entity’s business, environment and internal controls is also described as a “continuous” process at Section 5141.06.

D. Audit Evidence

Auditors are obligated to collect sufficient and appropriate evidence to support an opinion on financial statements.

“Sufficiency is the measure of the quantity of audit evidence. Appropriateness is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for, or detecting, misstatements in, the classes of transactions, account balances and the disclosures and related assertions. The quantity of audit evidence needed is affected by the risk of misstatement (the greater the risk, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required)...merely obtaining more audit evidence may not compensate for its poor quality.”

[CICA Handbook Section 5300.07, as of December 2005]

Auditors are not entitled to rely only or primarily upon the management of an audited entity to provide evidence to test financial statement balances. GAAS addresses the reliability of audit evidence in the CICA Handbook at Section 5300.09. In particular, evidence from external sources is considered to be reliable, as is evidence that is obtained directly by the auditor and evidence that is produced in original documents.

The auditor’s objective in collecting evidence is to test the assertions that are implicit in the financial statement balances, such as the occurrence of transactions, the existence of assets, and the valuation of assets.³⁷ Thus, E&Y and BDO ought to have sought evidence on the existence and valuation of Sino-Forest’s timber assets, as well as for the occurrence of the purchase and sale transactions.

Obtaining external sources of evidence or direct observation of evidence on Sino-Forest’s timber holdings and purchase/sale transactions would have been extremely difficult. The challenges encountered by the IC would have also applied to the external auditors. It is more than likely that independent evidence could not have been obtained by the auditors on much of Sino-Forest’s timber assets and related

³⁷ See CICA Handbook section 5300.20 - .21.

transactions. Hence, “clean” audit reports could not be issued in accordance with GAAS when crucial evidence was not able to be obtained.

E. Internal Controls

An auditor is required to obtain a “sufficient understanding of internal control”.³⁸ The purpose of studying the entity’s internal controls is explained as follows:

“The auditor should obtain an understanding of internal control relevant to the audit. The auditor uses the understanding of internal control to identify types of potential misstatements, consider factors that affect the risks of material misstatement, and to design the nature, timing and extent of further audit procedures. Internal control relevant to the audit is discussed in paragraphs 5141.047-.053. In addition, the depth of the understanding is discussed in paragraphs 5141.054-.056.”

[CICA Handbook Section 5141.041, effective January 2006.]

This obligation to probe the accounting for transactions, from origination to financial reporting, is particularly relevant to E&Y and BDO’s relationships with Sino-Forest. The external auditors were obligated to examine Sino-Forest’s purchases and sales of standing timber in order to assess the appropriateness of Sino-Forest’s accounting. Peculiarities such as the ESA framework, the set-off arrangements, and the lack of title registration ought to have been identified as particular risk areas. Audit procedures should have been modified accordingly.

Weak internal controls imply greater risks of material misstatement in financial statements. Consequently, auditors are obligated to supplement their procedures to perform additional, or alternative, tests to collect sufficient and appropriate audit evidence.

The IC’s investigations revealed numerous deficiencies in the Company’s internal controls, including:³⁹

³⁸ See CICA Handbook Section 5100.02 (Generally Accepted Auditing Standards), as of July 1992 and effective throughout the relevant period.

1. inappropriate concentration of authority, or lack of segregation of duties.
2. incomplete or inadequate record creation and retention practices;
3. scattered or decentralized record-keeping;
4. lack of integrated accounting systems;
5. lack of an internal audit function; and,
6. the use of personal electronic devices and personal email accounts to conduct business.

The internal control deficiencies at Sino-Forest described by the IC are fundamental flaws that had to have been known to an external auditor in planning and performing a GAAS audit. In light of such deficiencies, expanded audit procedures would have had to have been performed by E&Y and BDO. It is highly unlikely that internal controls for financial reporting could have been relied upon. Extensive tests of details, examination of original source documents and use of external, independent evidence would have been crucial. Any evaluation of E&Y and BDO's professional work should take these circumstances into account. Given the significance of the deficiencies identified by the IC, it is highly unlikely that a GAAS audit on Sino-Forest's financial statements could have been performed by E&Y and BDO.

F. Audit of Particular Financial Statement Items

1. Inventory

Specific concerns in auditing inventory are the existence, ownership and valuation of goods that were claimed as being assets of an entity.

According to CICA Handbook Section 6030.01, "...while auditors do not take, determine or supervise the inventory, they must be reasonably satisfied as to the

³⁹ See the Final Report of the IC, dated January 31, 2012, pages 10-12.

physical existence and condition of the goods, the ownership, the pricing and the arithmetical accuracy of the calculations.”⁴⁰

The minimum auditing procedures for inventory are described as follows:

“The auditing procedures in respect of inventories should be sufficient in scope to satisfy the auditors:

...

(b) as to the physical existence, ownership and condition of inventories;

(c) that the stated basis of valuation is being followed and is consistent with that of the previous period.”⁴¹

Common audit procedures include physical inspection of the assets, inventory counts and price testing. Based upon the difficulties that were encountered by the IC, it is highly improbable that E&Y and BDO were able to perform the necessary procedures to verify the above-noted assertions.

- (a) Physical inspections and counts likely were not feasible in the context of normal audit scopes. Extensive travel would have been required. Even if the external auditors had been able to arrange for physical attendance, apparent limitations in the mapping and surveying of lots would have hindered physical counts.
- (b) Verification of ownership through third-party legal documents would not have been possible. We understand that purchased plantation lots generally were not registered to Sino-Forest’s ownership (i.e., plantation rights certificates were not obtained), nor was the issuance of confirmations by local forestry bureaus a common practice in any case.
- (c) If E&Y and BDO had attempted to independently collected evidence through physical observation, confirmation of ownership and similar

⁴⁰ CICA Handbook Section 6030.01, as of June 2005.

⁴¹ CICA Handbook Section 6030.08, as of June 2005.

verification methods, they would have encountered the same troubling obstacles as the IC.

If attendance at stocktaking is not feasible, an auditor is required to perform alternative procedures to satisfy GAAS requirements applying to the inventory asset.⁴²

E&Y and BDO likely relied upon transaction documents, such as contracts, to verify the existence, ownership (and value) of the Company's standing timber. Such reliance upon internal or related party documentation, and correspondence with only purported third-parties (for which serious concerns exist; discussed below), was not inappropriate. Non-third party original documents would not have provided sufficient and appropriate evidence to support an audit opinion.

Timber holdings comprised well over one-half of Sino-Forest's assets in each year from 2006 to 2010. Independent verifications were necessary, but could not have been performed given the circumstances now understood to have existed. Consequently, E&Y and BDO should not have issued their "clean" audit opinions.⁴³

If an auditor is not able to obtain sufficient and appropriate evidence on the physical existence, ownership and valuation of inventory, an expression of reservation in the audit report typically would may be necessary. If the inventory is a material balance, and misstatement would have extensive impacts on the financial statements (such as on revenue, cost of sales, gross and net profit and so forth), a denial of an audit opinion would usually be required.

2. Sales and Purchase Cycle Testing (Revenue/Receivables and Purchases/Payables)

Audit of the sales cycle includes testing for the occurrence of sales transactions and the existence and value of any outstanding receivables. Similarly, testing

⁴² CICA Handbook Section 6030.10, as of June 2005.

⁴³ See CICA Handbook Section 6030.11, as of June 2005.

of the purchase cycle would require examination of the occurrence of purchase transactions and the existence and completeness of outstanding payables.

Common procedures include the examination of transaction documentation (e.g., purchase orders, invoices, and shipping documents, if applicable).

Based upon the circumstances identified by the IC, E&Y and BDO would have encountered obvious anomalies that ought to have highlighted Sino-Forest's GAAP violations, had they attempted to conduct a GAAS audit:

- (a) The absence of cash collections from purported sales of standing timber to AIs (as part of testing accounts receivable). The absence of cash payments from Sino-Forest to Suppliers for purported purchases of standing timber.
- (b) General absence of cash inflows and outflows that would be expected of an entity engaged in commercial transactions.
- (c) The lack of title registrations or plantation rights certificates with respect to purchased plantation timber.
- (d) The small pool (only five AIs) of companies with which Sino-Forest conducted sales, and the similarly small pool of Suppliers used for purchases.
- (e) Difficulties in obtaining maps, surveys or other documents evidencing Sino-Forest's supposed "owned" lands.

We would also expect that any attempts to confirm receivables and payables directly with AIs and Suppliers would not have been successful (if the process was properly controlled by the auditor as required by GAAS). Difficulties encountered by the IC in visiting AIs and Suppliers suggest that physical office addresses were at least sometimes faked.

In our opinion, it is highly unlikely that E&Y and BDO conducted GAAS procedures to audit Sino-Forest's sales and purchases. If adequate examinations

had been conducted, the deficiencies identified by the IC would have been encountered by the auditors and “clean” audit reports should not have been issued.

However, if GAAS procedures were not performed, the auditors would have failed to comply with their professional duties.

3. Related Parties

The existence of related parties gives rise to myriad financial reporting risks. Such risks are explicitly recognized in GAAS, which is articulated in the CICA Handbook:

“When planning and performing an audit, the auditor needs to consider matters such as the following:

- (a) Any aspect of an entity’s activities may involve related party transactions. Therefore, throughout the audit, it is important that the auditor be alert for circumstances indicating the existence of undisclosed related parties and related party transactions.
- (b) When audit evidence originates from a related party, the nature and extent of the entity’s relationship with the related party may affect the reliability of that evidence.
- (c) Qualitative as well as quantitative aspects of materiality are important when the auditor is assessing the measurement and disclosure of identified related party transactions, particularly those not in the normal course of operations.”⁴⁴

The IC uncovered extensive networks of relationships between Sino-Forest, its Suppliers and AIs. In particular, many of the Suppliers and AIs with whom the Company traded have former Sino-Forest employees or contractors as directors, officers and/or shareholders.

Accordingly, the auditors should have known that they had not obtained sufficient appropriate corroborative evidence. Under such circumstances, unqualified audit reports cannot be issued.

⁴⁴ CICA Handbook Section 6010.06, as of June 2005.

IX. RELATED MATTERS

A number of matters arise from our foregoing conclusions, which at this point are solely based on publicly-available information. As stated, we may have to amend our commentary as more information becomes available.

Nevertheless, at this stage of our analysis we believe that Sino-Forest's annual audited financial statements for the years ended December 31, 2006 through to December 31, 2010:

1. were not prepared in accordance with GAAP; and
2. were not audited in accordance with GAAS; and
3. were materially misstated;

for the reasons previously specified.

However, we feel obligated to deal briefly with a few other matters that merit consideration, but were not directly instrumental in arriving at our conclusions.

A. Canadian Public Accountability Board ("CPAB")

CPAB issued a "Special Report" titled "Auditing in Foreign Jurisdictions" in 2012. The report did not name companies and auditors that were the focus of its audit review attention in 2011.

Yet, CPAB stated:

"This is a Special Report on CPAB's review of audit files for Canadian public companies with their primary operations in China."

The report then proceeded to be quite critical of what CPAB saw, and stated:

"CPAB is disappointed by the results of its review. In too many instances, auditors did not properly apply procedures that would be considered fundamental in Canada, such as maintaining control

over the confirmation process. CPAB's findings indicate that auditors often did not appropriately identify and assess the risks of material misstatement in the financial statements, through a sufficient understanding of the entity and its environment. CPAB also found a lack of professional skepticism when auditors were confronted with evidence that should have raised red flags regarding potential fraud risk."⁴⁵ [Emphasis added.]

In our opinion, issues that the IC noted for Sino-Forest, which should constitute “red flags”, such as the related party involvement, would appear to be very similar to what CPAB encountered in its review of auditor working papers for Chinese-based companies.

B. Materiality

Accounting and auditing “materiality” are explained in various places in the CICA Handbook. All of the definitions revolve around impacts on the decision of users of financial statements. An example is the definition in Section 1000 of the CICA Handbook, “Financial statement concepts”, paragraph 17:

Users are interested in information that may affect their decision making. Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision...” [Emphasis added.]

For Sino-Forest, “material” dollar impacts on the financial statements could involve assets, liabilities, revenue, expenses and cash flows, especially “cash flow from operating activities”. Shareholders of Sino-Forest may have bought, sold or held their shares based on what was reported. Often, for Sino-Forest, huge dollars of revenue and cash flows were at stake, and were dependent upon whether timber sales revenue was reported appropriately, or not.

But, with Sino-Forest much more was obviously at stake, and this involved whether the company reported in accordance with ethical standards as well as GAAP,

⁴⁵ See CPAB “Auditing in Foreign Jurisdictions – CPAB Special Report”, page 1.

GAAS and “fairness”. Thus, small dollars could be “material” if these small dollars were indicative of the beginnings of deceit, or fraud, or a similar problem.

As well, disclosure or not of the extensive number of related parties could very well have been “material”.

C. Income Taxes

Sino-Forest does not appear to have accrued large dollars of income tax expense and payables until the fiscal year 2010. Various reasons could exist, but three in particular are noteworthy possibilities:

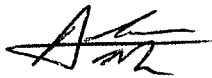
1. The transactions were largely deemed to be not taxable (until perhaps 2010) because of the existence of “off-shore” corporations. The publicly-available information is not informative concerning “loopholes” (until 2010) in the Chinese tax legislation. Hence, we cannot evaluate this possibility at the present time.
2. The transactions were largely not taxable (until perhaps 2010) because they consisted of related party transactions and were not third-party, taxable, profit-making activities. This possibility is a major concern to us, and will have to be pursued when further information becomes available.
3. The transactions were largely taxable, but Sino-Forest did not record appropriate expenses and liabilities. Such a possibility would mean that the annual audited financial statements failed to comply with GAAP and GAAS and were probably “materially misstated,” in audit report terms.

Further information is needed to resolve whether one, or up to all three, of the above apply to different years and situations within Sino-Forest. The entire income tax issue requires more investigation when additional information is made available.

X. RESTRICTIONS

This report is not intended for general circulation or publication, nor is it to be reproduced for any purpose other than as outlined above without our written permission in each specific instance. We will not be responsible for losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph. We reserve the right to revise our opinion in light of any facts, trends, or changing circumstances that become know to us subsequent to the date of this report.

Respectfully submitted,

ROSEN & ASSOCIATES LIMITED

A.T. Mak



L.S. Rosen

Appendix A**Documents That We Considered In Our Analysis**

1. Statement of Claim in the matter of The Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario v. Sino-Forest Corporation, Ernst & Young LLP, Allen T.Y. Chan et al, dated August 30, 2011.
2. The First Interim Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation, dated August 10, 2011.
3. The Second Interim Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation, dated November 13, 2011.
4. The Final Report of the Independent Committee to the Board of Directors of Sino-Forest Corporation, dated January 31, 2012.
5. The Interim Consolidated Financial Statements of Sino-Forest Corporation for the periods ended:
 - (a) June 30, 2011
 - (b) March 31, 2011
 - (c) September 30, 2010
 - (d) June 30, 2010
 - (e) March 31, 2010
 - (f) September 30, 2009
 - (g) June 30, 2009
 - (h) March 31, 2009

- (i) September 30, 2008 (Restated)
 - (j) June 30, 2008 (Restated)
 - (k) March 31, 2008
 - (l) September 30, 2007
 - (m) June 30, 2007
 - (n) March 31, 2007
 - (o) September 30, 2006
 - (p) June 30, 2006
 - (q) March 31, 2006
6. The Annual Consolidated Financial Statements of Sino-Forest Corporation for the years ended:
- (a) December 31, 2010
 - (b) December 31, 2009
 - (c) December 31, 2008
 - (d) December 31, 2007
 - (e) December 31, 2006
 - (f) December 31, 2005
- (and for prior years)
7. Muddy Waters LLC report on Sino-Forest, issued June 2, 2011.
8. Sino-Forest Press Release, June 3, 2011.

9. Analyst reports:

(a) Dundee Capital Markets - March 16, 2010

(b) Credit Suisse – March 16, 2010

(c) Morgan Stanley Research – March 16, 2010

(d) Scotia Capital – March 16, 2010

(e) RBC Capital Markets – March 16, 2010

(and for prior years)

Appendix B**ALAN T. MAK**

Personal Data

EDUCATION

Bachelor of Business Administration (*With Distinction*) (1996)
York University, Ontario

Chartered Accountant (1999)

CICA In-Depth Income Tax, Levels I, II & III (2000)

Chartered Business Valuator (2003)

DESIGNATIONS

CA•CBV, Ontario

CPA / CFF, Illinois

FCPA, Hong Kong

CFE

PROFESSIONAL ASSOCIATIONS

Institute of Chartered Accountants of Ontario

Canadian Institute of Chartered Business Valuators

American Institute of Certified Public Accountants
(Forensic and Valuation Services Section)

Illinois CPA Society

Hong Kong Institute of Certified Public Accountants

Association of Certified Fraud Examiners

EMPLOYMENT

Principal (formerly “Associate”), **Rosen & Associates Limited**, (April 2000 – Present)

- Forensic Accounting
- Business Valuation
- Quantification of Damages
- Accountants’ Negligence
- Qualified as Expert Witness before the Ontario Superior Court of Justice, the Ontario Energy Board, the Copyright Board of Canada and in proceedings pursuant to the American Arbitration Association.

Senior Accountant, **Arthur Andersen LLP**, (Sept. 1997 - March 2000)

- International Corporate Tax
- Transfer Pricing
- Corporate Re-organizations
- Income Tax Audit Consulting

Staff Accountant, **Arthur Andersen LLP**, (Sept 1996 – Sept 1997)

- Audit and review of Canadian businesses
- Consumer products, financial services, and media/advertising industries

Sessional Lecturer, **University of Toronto**, (September 2004 to Current)

- Lecture in undergraduate financial accounting theory and policy and managerial accounting.

Adjunct Professor, **York University**, (Jan 2000 – April 2004)

- Lecture undergraduate and graduate level financial accounting, management accounting and auditing courses

Teaching Assistant, **York University**, (Sept 1994 – Dec 1999)

- Conduct tutorials for undergraduate students

OTHER

Contributor, **Intermediate Accounting**, Beechy & Conrod (McGraw-Hill Ryerson, Toronto, 1999)

- Prepared the glossary in Volume II of text

Contributor, **Financial Accounting and Reporting (2nd Edition)**, Austin, Haskins, Ferris, Sack and Allen (McGraw-Hill Ryerson, Toronto, 1999)

- Technical review of problems and solutions in text

Contributor, **ICAO Tax Tips** (1999 – 2001)

- Contributed to tax planning solutions published by the ICAO public information service

LAWRENCE S. ROSEN

Personal Data
(January 2009)

796

EDUCATION

M.B.A. (1964, University of Washington; focus: financial accounting); Ph.D. (1966, University of Washington; multi-fields; thesis focus: cash flows and financial reporting)

B. Com. (1957, University of British Columbia)

Chartered Accountant (1960, British Columbia), Alberta and Ontario

Certified Management Accountant (Registered Industrial Accountant, 1970)

DESIGNATIONS

FCA, Ontario

FCA, Alberta

FCMA, Canada

CGA, (Ontario and Canada)

CFE, (Certified Fraud Examiner and Life Member) Canada and U.S.A.

CIP, (Chartered Insurance Professional)

CPA (Certified Public Accountant, Illinois)

CA•IFA (Specialist, Investigative and Forensic Accounting)

CPA/CFF (Certified in Financial Forensics)

FCPA (Fellow of the Hong Kong Society of Certified Public Accountants)

EMPLOYMENT

Professor, York University, Toronto, Canada (Professor 1972 – 2001, Professor Emeritus 2001 to present; teaching focused on accounting, auditing and the integration of a professional accounting programme; Director, MBA Program 1992-1994)

Principal, Rosen & Associates Limited, (2000 -)

Principal, Rosen & Vettese Limited, (1990 - 2000)

Partner or Associate, Mintz & Partners, (1986 – 1990)

Technical advisor to three Auditors' General of Canada, (1978 – 1993)

Consultant to Clarkson Gordon, (Accounting principles, litigation, education), (1972 – 1986) (Now called Ernst & Young)

Manager, Accounting Standards and Research group, Clarkson Gordon, Toronto, (1970 – 1972)

Lecturer, (part-time), Faculty of Administrative Studies, York University, Toronto, (1970 – 1972)

Professor and Associate Professor, University of Alberta, (1966 – 1970)

Predoctoral Instructor, University of Washington, (1964 – 1966)

Instructor, University of British Columbia, 1961 - 1963 (part-time, 1960 - 1961)

Chartered Accountant and Student, Peat, Marwick Mitchell & Co., (1957 – 1961) (Now called KPMG)

LITIGATION AND RELATED CASES

Since 2004:

Bellan v. Curtis, Pricewaterhouse Coopers LLP, Nesbitt Burns Inc., Wellington West Capital Inc., Crocus Capital Inc., The Manitoba Securities Commission and The Crocus Investment Fund, et. al (Class action suit in which Dr. Rosen was retained to represent the class against all defendants. The issues involved financial statement presentation, share valuation and statement of asset values. Status: Settled out of Court.)

General Refrigeration of Canada Ltd. v. Finnpower Canada Ltd. (Dr. Rosen was retained by the defendants. The issues involved financial statement presentation and damages. Status: Settled.)

Refrigerated Construction & Services Inc. v. Coldmatic Refrigeration of Canada Ltd. (Dr. Rosen was retained by the defendants. The issues involved the purchase and sale of a business, financial statement presentation, fair presentation. Status: Settled.)

Saskferco Products Inc. v. Her Majesty the Queen (Dr. Rosen was retained by the Crown in a tax case and the application of hedge accounting principles. Status: Judgment for the Crown, upheld on appeal.)

Silver and Cohen v. IMAX Corporation et al. (Dr. Rosen was retained by the Class in a class action case. The issues involve GAAP and whether the financial information was false and misleading. Status: Ongoing.)

Kingsway Insurance v. PriceWaterhouseCoopers (Dr. Rosen was retained by the plaintiff in a case involving US GAAS and GAAP, including issue of whether the liabilities were misstated and whether there was fraud. Status: Ongoing.)

Kingsway Insurance v. 118997 Canada Inc., Mr. Raymond David, and Mr. Michel Gauthier (Dr. Rosen was retained by the plaintiff in an arbitration case involving issues related to fraud, financial statement presentation. Status: Arbitrator's decision for the plaintiff.)

Kingsway Insurance v. Ernst & Young (Dr. Rosen was retained by the plaintiff and has written reports for the Court. Status: Ongoing.)

Other Cases:

Waxman v. Waxman (Dr. Rosen was retained by the plaintiff and gave evidence relevant to materiality and the obligation to disclose related party transactions. Status: Judgment rendered for the plaintiff, and upheld on appeal.)

Sherman v. Orenstein & Partners (Dr. Rosen was retained by the CA firm (defendants). The issue involved the standard of care required in the performance of a review engagement. Status: Judgment for defendant, upheld on appeal.)

A-1 Floor & Wall v. Partridge Pelissero Iggulden (Dr. Rosen was retained by the CA firm (defendants) in a case involving GAAP and fair presentation. Status: Judgment for defendants.)

Pineridge Capital Corp. v. BDO Dunwoody (Dr. Rosen was retained by the CA firm (defendants) and gave evidence on GAAS, GAAP, fair presentation and, more particularly, sufficient appropriate audit evidence, bank confirmations, professional judgment and contingent liabilities. Status: Judgment in part for the defendant.)

Kripps v. Touche Ross & Co. [Dr. Rosen was retained by the plaintiffs and gave evidence on GAAS and GAAP, fair presentation. Prepared an affidavit submitted by the Plaintiffs / Respondents to the Supreme Court of Canada. (Leave to Appeal was denied.) Status: Judgment for plaintiffs.]

Hercules Managements Ltd. v. Ernst & Young (Dr. Rosen was retained by Hercules Management on issues related to auditor's negligence and damages. Status: Judgment.)

Bloor Italian Gifts Ltd. v. Dixon (Dr. Rosen acted for the CA (defendants) in a case involving review engagement standards. Status: Judgment in part for defendant.)

QEW 427 Dodge Chrysler (1991) Inc. v. Ontario (Minister of Revenue) (Dr. Rosen was retained by the Crown on the meaning of "accounts payable" in a tax case. Status: Judgment.)

Tucci Construction v. Lockwood (Dr. Rosen was retained by the CA firm (defendants) in a case involving financial statement presentation. Status: Judgment.)

Surrey Credit Union v. Willson et al. (Dr. Rosen was retained by the plaintiff against the two accounting firms in the "Northland Bank" case. The issues include GAAS & GAAP. Status: Settled.)

National Business Systems (Dr. Rosen was retained by the CA firm (defendants) in a case involving the alleged negligence of auditors. Status: Settled.)

Hyundai Motor Co. (Dr. Rosen was retained by the company in a case involving financial analysis before the Canadian Import Tribunal. Status: Judgment for the company.)

Teachers' Investment & Housing Co-operative (Dr. Rosen was retained by the Attorney-General for British Columbia in a case involving alleged negligence of lawyers and public accountants. Status: Settled.)

Ontario Ministry of Labour v. Massey Ferguson (Dr. Rosen was retained by the union workers in connection with an investigation involving asset and liability distributions among segments of Varsity Corporation. Status: Settled.)

Calgroup Graphics and PriceWaterhouse (Dr. Rosen was retained by the Ontario Securities Commission in a case involving alleged Securities Act violations. Status: Disciplinary action against the auditor; cease-trading order issued.)

Miscellaneous Cases:

Many cases are currently in progress.

Several other cases re professional negligence and preparation of expert reports could be listed; most were settled prior to a Court Judgment.

Testimony before courts in Ontario, British Columbia and Quebec re contract disputes, competition legislation, matrimonial, alleged frauds, automobile accidents and other litigation.

Forensic accounting; patent infringements; insurance claims before Tribunals or Commissions.

Preparation of pre-trial reports, and expert witness appearances with respect to:

- accounting and auditing principles and policies
- loss of profits, and valuation
- patent infringements
- predatory pricing
- contract disputes

PROFESSIONAL AND ACADEMIC ASSOCIATIONS

Memberships:

Institute of Chartered Accountants of Alberta, Ontario, and British Columbia (FCA, Ontario; FCA, Alberta)

Society of Management Accountants of Ontario (FCMA, Canada)

Certified General Accountants of Ontario, and of Canada

Canadian Comprehensive Auditing Foundation

American Institute of Certified Public Accountants

American Accounting Association

Hong Kong Society of Certified Public Accountants

Canadian Academic Accounting Association

Association of Certified Fraud Examiners

Chartered Insurance Professional

Positions Held:

Elected to the Board of Directors of the Canadian Justice Review Board (2006 – present)

Co-founder of Accountability Research Corporation (from 2001 to present) (Research for mutual funds, pension funds and money managers)

Elected to the Council of the Institute of Chartered Accountants of Ontario (3 years, early 1990s, governance issues affecting the profession)

Director of the MBA Program, York University

Member, Senate, York University

Area Coordinator, Accounting Area, York University

Chairman, Senate Appeal Committee, York University

Advisory Board, Comprehensive Auditing, Society of Management Accountants of Canada

Editor, "Education Research", *The Accounting Review*, 1979 - 1984

Board of Directors, Society of Management Accountants of Canada, 1980 - 1983

Governor, Canadian Comprehensive Auditing Foundation, 1980 - 1983

Director and President, The Canadian Academic Accounting Association, 1976 - 1978

Editorial Board, *The Accounting Review*, 1975 - 1978

Executive, Canadian Region, American Accounting Association (3 years) Chairman (1 year) and member (3 years), Manuscript Awards Committee, American Accounting Association

Editor "Education", CA Magazine, 1972 - 1977

Member of numerous committees of professional associations or academic bodies

PUBLICATIONSArticles:

Monthly columnist for Canadian Business magazine (2000 – present) and the National Post newspaper (2004 – present)

Boardroom, various articles published in 2000s

"CICA Exposure Draft: A Comment", The Philanthropist (Summer 1992)

"Restoring the Importance of Accounting Education", CA Magazine (September 1982)

- "An Empirical Study of Materiality Judgments by Auditors, Bankers and Analysts", In S. Basu and J. Alex Milburn, Proceedings of the 1981 Clarkson Gordon Foundation Research Symposium (Toronto, 1982)
- "Dialogue on Accounting Education", (with R. Denham), CA Magazine (September 1981)
- "Accounting Education: A Grim Report Card", CA Magazine (June 1978)
- "New Auditing Concepts for Current Value Accounting?", in Auditing Research Symposium - 1977 (Toronto: CICA, 1978)
- "Accounting for Inflation in Canada" in Accounting For Changes In The Value of Money, (Munich: 11th International Congress of Accountants, 1977)
- "Autumn of Our Discontent", CA Magazine, (October 1976). (Granted the W.J. MacDonald Memorial Award for the best article in 1976-77)
- "Alternatives to Historic Cost: An Introductory Analysis", CA Magazine, (July 1976)
- "Professional Judgment and Multi-Subject Accounting", CA Magazine, (May 1976)
- "Comprehensive Problem - Philosophy and Technique", Cost and Management, (March - April 1976)
- "Current Practitioner - Academic Relations", CA Magazine, (September 1975)
- "Comprehensive Case Examinations", CA Magazine, (March 1975)
- "Funds Statements", CA Magazine, (July 1974)
- "Tailoring Accounting Techniques to Management Decisions", CA Magazine, (March 1974)
- "Accountancy Examinations", Canadian Chartered Accountant, (July 1972)
- "Chartered Accountancy Education and Examinations", Canadian Chartered Accountant, (July 1971)
- "A Framework for Studies in Accountancy", Canadian Chartered Accountant, (July 1971)
- "Accounting and the Behavioral Sciences", (with C.J. McMillan), Canadian Chartered Accountant, (October 1970)
- "Alternatives to Historical Cost", Canadian Chartered Accountant, (March 1970)
- "General Price-Level Restated Reports", Canadian Chartered Accountant, (January and February 1970)
- "Funds Statements: A Historical Perspective", (with Don T. DeCoster), The Accounting Review, (January 1969)

Series on "Funds" Statement Concepts, Canadian Chartered Accountant, (October, November, December, 1968). One article in three-part series reproduced in T.J. Burns and H.S. Hendrickson, The Accounting Sampler, second edition, (New York, McGraw-Hill Book Company, 1972)

"Some Behavioral Consequences of Accounting Measurement Systems", (with R.E. Schneck) Cost and Management, (October 1967). Reprinted in W. Bruns, Jr. and Don T. DeCoster (editors), Accounting and Its Behavioral Implications, (New York: McGraw-Hill Book Company, 1969)

"On the Conflict between Custodial and Operational Accounting", Cost and Management, (June and July - August 1967)

"Replacement Value Accounting", The Accounting Review, (January 1967)

"Historical Cost and Replacement Value Accounting", The Illinois C.P.A., (Spring 1966)

"Operations Research", (with C. Rosen), Certified General Accountant, (November - December 1964)

"Price-Level Adjustments and Cost Systems", Cost and Management, (October 1964)

Books:

Understanding Accounting – The Lawyers' Guide, Lawrence S. Rosen, Frank M. Vettese, Jim Muccilli, (Canada Law Book Inc., 1999), 272 pages.

Accounting: A Decision Approach, (Toronto: Prentice-Hall, 1986). Also accompanying instructors' manual

Study Guide for Accounting: A Decision Approach, (Toronto: Prentice-Hall, 1986)

Topics in Managerial Accounting, (Third Edition, Editor), Toronto: McGraw-Hill Ryerson Limited, 1984

Financial Accounting: A Canadian Casebook with Multiple Subject Cases, (Toronto: Prentice-Hall, 1982). Also accompanying instructors' manual.

An Introduction to Accounting Case Analysis, Second Edition, (Toronto: McGraw-Hill, 1981). Also accompanying instructors' manual.

Canadian Financial Accounting, (with M. Granof) (Toronto: Prentice-Hall, 1980).

Self Study Problems for Canadian Financial Accounting, (with G. Richardson) (Toronto: Prentice-Hall, 1980)

An Introduction to Accounting Case Analysis, (Toronto: McGraw-Hill Ryerson Limited, 1975), 195 pages

Topics in Managerial Accounting, (Second Edition Editor), (Toronto: McGraw-Hill Ryerson Limited, 1974), 412 pages

Instructors' Manual for Topics in Managerial Accounting, (Second Edition, 1974), 32 pages

Valeurs Actuelles Et Indexation Des Etats Financiers, (Toronto: Canadian Institute of Chartered Accountants, 1973), 150 pages. French Translation of 1972 book.

Current Value Accounting and Price-Level Restatements, (Toronto: Canadian Institute of Chartered Accountants, 1972), 143 pages.

Topics in Managerial Accounting, (Editor), (Toronto: McGraw-Hill Company of Canada Ltd., 1970), 365 pages.

Cas De Compatibilite Et D'Administration, (Montreal: McGraw-Hill Company of Canada Ltd., 1970), 475 pages. French translation of 1968 book.

Cases in Accounting and Business Administration, (Toronto: McGraw-Hill Company of Canada Ltd., 1968), 405 pages, and companion book, Instructors' Notes for Cases in Accounting and Business Administration, (Toronto: McGraw-Hill Company of Canada Ltd., 1969), 385 pages.

Several other book and article reviews, lesson manuals and papers.

Chapters written for books that were edited by others.

ACKNOWLEDGEMENT OF EXPERT'S DUTY

1. My name is Alan T. Mak. I live in the City of Toronto in the Province of Ontario.
2. I have been engaged by or on behalf of the Plaintiff to provide evidence in relation to this proceeding.
3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:
 - a) to provide opinion evidence that is fair, objective and non-partisan;
 - b) to provide opinion evidence that is related only to matters that are within my area of expertise; and,
 - c) to provide such additional assistance as the court may reasonably require, to determine a matter in issue.
4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

March 2, 2012

Date



Alan T. Mak

ACKNOWLEDGEMENT OF EXPERT'S DUTY

1. My name is Lawrence S. Rosen. I live in the City of Toronto in the Province of Ontario.
2. I have been engaged by or on behalf of the Plaintiffs to provide evidence in relation to this proceeding.
3. I acknowledge that it is my duty to provide evidence in relation to this proceeding as follows:
 - a) to provide opinion evidence that is fair, objective and non-partisan;
 - b) to provide opinion evidence that is related only to matters that are within my area of expertise; and,
 - c) to provide such additional assistance as the court may reasonably require, to determine a matter in issue.
4. I acknowledge that the duty referred to above prevails over any obligation which I may owe to any party by whom or on whose behalf I am engaged.

March 2, 2012

Date

L.S. Rosen

L.S. Rosen

Relevant Accounting Standards

A. Canadian GAAP: To December 31, 2010

1. Section 3400.07 – “Revenue Recognition”

In a transaction involving the sale of goods, performance should be regarded as having been achieved when the following conditions have been fulfilled:

- (a) the seller of the goods has transferred to the buyer the significant risks and rewards of ownership, in that all significant acts have been completed and the seller retains no continuing managerial involvement in, or effective control of, the goods transferred to a degree usually associated with ownership; and
- (b) reasonable assurance exists regarding the measurement of the consideration that will be derived from the sale of goods, and the extent to which goods may be returned. [OCT. 1986]

2. Section 1000 – “Asset”

Assets are economic resources controlled by an entity as a result of past transactions or events and from which future economic benefits may be obtained.

.25 Assets have three essential characteristics:

- (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, in the case of profit-oriented enterprises, to contribute directly or indirectly to future net cash flows;
- (b) the entity can control access to the benefit; and

(c) the transaction or event giving rise to the entity's right to, or control of, the benefit has already occurred.

.26 It is not essential for control of access to the benefit to be legally enforceable for a resource to be an asset, provided the entity can control its use by other means.

.27 There is a close association between incurring expenditures and generating assets but the two do not necessarily coincide. Hence, when an entity incurs an expenditure, this may provide evidence that future economic benefits were sought but is not conclusive proof that an item satisfying the definition of an asset has been obtained.

Similarly, the absence of a related expenditure does not preclude an item from satisfying the definition of an asset and thus becoming a candidate for recognition in the balance sheet. For example, items that have been donated to the entity may satisfy the definition of an asset.

3. Section 1000 – “Revenue”

Revenues are increases in economic resources, either by way of inflows or enhancements of assets or reductions of liabilities, resulting from the ordinary activities of an entity. Revenues of entities normally arise from the sale of goods, the rendering of services or the use by others of entity resources yielding rent, interest, royalties or dividends.

4. Section 3031 – “Inventories”

(a) Inventories shall be measured at the lower of cost and net realizable value.

(b) Cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition.

B. Canadian GAAS: To December 31, 2010

1. Section 5090 – “Audit of Financial Statements”

.01 The objective of an audit of financial statements is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with generally accepted accounting principles, except in the circumstances referred to in reporting standard (iv) in GENERALLY ACCEPTED AUDITING STANDARDS, paragraph 5100.02. Such an opinion is not an assurance as to the future viability of an entity nor an opinion as to the efficiency or effectiveness with which its operations, including internal control, have been conducted.

.04 In the performance of an audit of financial statements, the auditor complies with generally accepted auditing standards, which (as set out in GENERALLY ACCEPTED AUDITING STANDARDS, paragraph 5100.02) relate to the auditor's qualifications, the performance of the audit and the preparation of his or her report.

.05 The auditor should plan and perform an audit with an attitude of professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. [DEC. 2004 *]

.06 An attitude of professional skepticism recognizes that circumstances may exist that cause the financial statements to be materially misstated. It means the auditor makes a critical assessment, with a questioning mind, of the sufficiency and appropriateness of audit evidence obtained, and is alert for evidence that contradicts or brings into question the reliability of documents or representations of management or those charged with governance. It does not mean the auditor is obsessively skeptical or suspicious. The attitude of professional skepticism is necessary throughout the audit process to reduce the

risks of overlooking suspicious circumstances, of over-generalizing when drawing conclusions from audit observations, and of using faulty assumptions in determining the nature, timing and extent of the audit procedures and evaluating the results thereof. Representations from management or those charged with governance generally, in and of themselves, do not represent sufficient audit evidence.

.07 Honesty and integrity on the part of management and of those charged with governance are critical for the effective operation of the financial reporting process. In planning and performing an audit, the auditor neither assumes that management is dishonest nor assumes unquestioned honesty. This means that it is not the auditor's objective to prove management's honesty and integrity, but to approach the audit with an attitude of professional skepticism that includes being alert for indications of dishonesty. It also means that, notwithstanding prior experience indicating that management is honest, the auditor nevertheless generally obtains corroborating evidence for management representations, including responses to enquiries resulting from the performance of analytical procedures. If the auditor has specific reason to doubt management's honesty and integrity, the auditor needs to consider the audit evidence that may be compromised and, if so, to what extent. The auditor considers whether the risk of compromised audit evidence can be mitigated by different or more extensive audit procedures, or whether it brings into question the auditor's ability to complete the audit, in which case the auditor refers to THE AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD, Auditor unable to continue the engagement, Section 5135.

.08 The honesty and integrity of those charged with governance is critical in setting the overall ethical tone of the entity. Those charged with governance have statutory responsibilities to act in the interests of the entity, but do not normally have control over its day-to-day operations and are therefore not usually a primary source of audit evidence.

.09 The auditor seeks a high, though not absolute, level of assurance, hereinafter referred to as reasonable assurance, whether the financial statements are free of material misstatement, whether caused by fraud or error. Absolute assurance in auditing is not attainable as a result of such factors as those described in REASONABLE ASSURANCE AND AUDIT RISK, paragraphs 5095.03-.04.

2. Section 5100 – “Generally Accepted Auditing Standards”

.02 Generally Accepted Auditing Standards are as follows:

General standard

The examination should be performed and the report prepared by a person or persons having adequate technical training and proficiency in auditing, with due care and with an objective state of mind. [SEPT. 1975]

Examination standards

- (i) The auditor should plan and perform the audit to reduce audit risk to an acceptably low level that is consistent with the objective of an audit. The auditor should plan the nature, timing and extent of direction and supervision of engagement team members and review of their work. [JAN. 2006 *]
- (ii) The auditor should obtain an understanding of the entity and its environment, including internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. [JAN. 2006]
- (iii) The auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit

opinion. [JAN. 2006]

Reporting standards

- (i) The report should identify the financial statements and distinguish between the responsibilities of management and the responsibilities of the auditor. [MARCH 1991 **]
- (ii) The report should describe the scope of the auditor's examination. [MARCH 1991 **]
- (iii) The report should contain either an expression of opinion on the financial statements or an assertion that an opinion cannot be expressed. In the latter case, the reasons therefore should be stated. [SEPT. 1975 *]
- (iv) Where an opinion is expressed, it should indicate whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles, except when the financial statements:
 - are prepared as described in AUDITOR'S REPORT ON FINANCIAL STATEMENTS PREPARED USING A BASIS OF ACCOUNTING OTHER THAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, paragraph 5600.09;
 - or
 - are financial statements of a local government required by legislation or regulation to prepare its financial statements in accordance with a disclosed basis of accounting, when the auditor would refer to AUDIT OF LOCAL GOVERNMENT FINANCIAL

STATEMENTS, Section PS 5200, for guidance.

The report should provide adequate explanation with respect to any reservation contained in such opinion. For entities whose financial statements are prepared in accordance with the CICA Public Sector Accounting Handbook, the auditor's opinion should also indicate whether the financial statements present fairly the changes in the entity's net debt. [JULY 2006 **]

3. Section 5141 – “Understanding the entity and its environment and assessing the risks of material misstatement”

INTRODUCTION

.002 The auditor should obtain an understanding of the entity and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures. AUDIT EVIDENCE, Section 5300, requires the auditor to use assertions in sufficient detail to form a basis for the assessment of risks of material misstatement and the design and performance of further audit procedures. This Section requires the auditor to make risk assessments at the financial statement and assertion levels based on an appropriate understanding of the entity and its environment, including its internal control. THE AUDITOR'S PROCEDURES IN RESPONSE TO ASSESSED RISKS, Section 5143, discusses the auditor's responsibility to determine overall responses and to design and perform further audit procedures whose nature, timing and extent are responsive to the risk assessments. The requirements and guidance of this Section are to be applied in conjunction with the requirements and guidance provided in other Sections. In particular, further guidance in relation to the auditor's responsibility to assess

the risks of material misstatement due to fraud is discussed in THE AUDITOR'S RESPONSIBILITY TO CONSIDER FRAUD, Section 5135. [JAN. 2006]

.004 Obtaining an understanding of the entity and its environment is an essential aspect of performing an audit in accordance with generally accepted auditing standards. In particular, that understanding establishes a frame of reference within which the auditor plans the audit and exercises professional judgment about assessing risks of material misstatement of the financial statements and responding to those risks throughout the audit, for example when:

- (a) establishing materiality and evaluating whether the judgment about materiality remains appropriate as the audit progresses;
- (b) considering the appropriateness of the selection and application of accounting policies, and the adequacy of financial statement disclosures;
- (c) identifying areas where special audit consideration may be necessary (e.g., related party transactions, conditions and events that cast doubt on the entity's ability to continue as a going concern or considering the business purpose of transactions);
- (d) developing expectations for use when performing analytical procedures;
- (e) designing and performing further audit procedures to reduce audit risk to an acceptably low level; and
- (f) evaluating the sufficiency and appropriateness of audit evidence obtained, such as the appropriateness of assumptions and of management's oral and written representations.

.005 The auditor uses professional judgment to determine the extent of the understanding required of the entity and its environment, including its internal control. The auditor's primary consideration is whether the understanding that

has been obtained is sufficient to assess the risks of material misstatement of the financial statements and to design and perform further audit procedures. The depth of the overall understanding that is required by the auditor in performing the audit is less than that possessed by management in managing the entity.

4. Section 6030 – “Inventories”

AUDITORS' OBJECTIVES

.01 While the inventory of stock-in-trade as set out in the financial statements is primarily the responsibility of the management, auditors cannot ignore their responsibility to satisfy themselves as to the validity of the client's representations as to inventories and of the inventory records. In brief, while auditors do not take, determine or supervise the inventory, they must be reasonably satisfied as to the physical existence and condition of the goods, the ownership, the pricing and the arithmetical accuracy of the calculations.

ATTENDANCE AT PHYSICAL STOCKTAKING

.02 With the increasing recognition of the auditors' responsibility for the validity of the inventory figure, advances have been made in procedures to substantiate the physical existence and condition of the inventory. Inspection of stock-in-trade has become generally recognized as the most useful and conclusive procedure by which auditors can satisfy themselves in this respect.

.03 It is recognized that the auditors could not be expected to possess the specialized technical knowledge required, in many cases, to establish absolute assurance of the existence of goods of a specified quality, grade and condition. Therefore, useful inspection of the goods by the auditors will require the exercise of reasonable care and skill and good judgment rather than the expert technical knowledge of the goods which would be expected of an appraiser or valuer.

.04 In practice, inspection of stock-in-trade by auditors varies in extent and in procedure. Normally, the inspection applies only to the more significant items in the inventory but, occasionally, it is extended to cover all of the goods. Generally, it is carried out at the time of the client's physical stocktaking but, in some instances, it is done at another time. Usually, the checking of quantities is accomplished most conveniently by observing and noting the counts made by the client's staff, but actual test counts are often undertaken by the auditors, before, during or after the client's physical stocktaking.

.05 Observation of the client's physical stocktaking, whether this is at the end of the financial period or some other date, is considered a most useful auditing procedure in assessing the degree of care which management exercises in establishing the existence and condition of inventories.

.06 Attendance at stocktaking should consist of such observation of the application of policies and procedures including counts, and inspection of general condition of the goods as will enable the auditors to form an opinion on the representations of management as to quantity and condition. It is desirable that a review of the methods to be used by the client in the stocktaking be made in advance. Such review and observation permit an evaluation of the effectiveness of internal control as applied, not only to the book records, but also to the taking of physical inventories.

.07 The judgment of the auditors, in the light of the circumstances, will determine the audit procedures to be applied in each case. For example, if goods of significant value are stored at locations which it is not convenient for the auditors to visit, they may appoint representatives to attend the client's physical stocktaking on their behalf. In some cases, if there is good internal control over inventories, test counts of goods at some time other than at the time of stocktaking, combined with other procedures to confirm the existence of the goods, may provide satisfactory alternatives. In other cases, such as those of goods in transit or goods in independent

warehouses, the auditors may satisfy themselves as to the existence of the stock-in-trade by means of independent documentary evidence.

.08 The auditing procedures in respect of inventories should be sufficient in scope to satisfy the auditors:

- (a) as to the physical existence, ownership and condition of inventories;
- (b) that the stated basis of valuation is being followed and is consistent with that of the previous period.

.09 Generally accepted auditing procedures in respect of inventories should include:

- (c) a review of the methods followed in the determination of quantities and values;
- (d) attendance by the auditors at the stocktaking, whether this is at the end of the financial period or at other times;
- (e) tests of the inventory quantities with confirmatory evidence such as rough count sheets, perpetual stock records, etc.;
- (f) tests of the pricing of the inventory items;
- (g) tests of the clerical accuracy of the inventory.

.10 If attendance at the stocktaking is not practicable in the circumstances, the auditors should substitute other satisfactory procedures such as those outlined in paragraph 6030.07.

.11 If the auditors have not satisfied themselves as to the physical existence, ownership and the basis of valuation of the inventory, the Recommendations set out in RESERVATIONS IN THE AUDITOR'S REPORT, Section 5510, should be followed. [OCT. 1970]

Appendix D**Sino-Forest Accounting Policies****From Note 1 to the December 31, 2010 Financial Statements****Revenue Recognition**

Revenue from standing timber is recognized when the contract is entered into which establishes a fixed and determinable price with the customer, collection is reasonably assured and the significant risks and rewards of ownership have been transferred to the customer.

Revenue from wood product contracts is recorded based on the percentage of completion method, determined based on the total costs incurred to expected total cost of the project and work performed. Revenues and costs begin to be recognized when progress reaches a stage of completion sufficient to reasonably determine the probable results. Any losses on such projects are charged to operations when determined.

Revenue from the sale of logs and other products is recognized when the significant risks and rewards of ownership of the logs and other products have been transferred to the customer, usually on the delivery of the goods when a fixed and determinable price is established.

Inventories

Raw materials, timber logs, finished goods and nursery are valued at the lower of cost, determined on a weighed average cost basis, and net realizable value. Work in progress and finished goods are valued at the lower of manufacturing cost and net realizable value. Manufacturing cost includes the cost of raw materials, direct labour and applicable production overheads, excluding borrowing costs, based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale

Timber Holdings

Timber holdings comprise planted and purchased plantations which include acquisition costs of young trees and standing timber, planting and maintenance capitalized over the growth cycle of the type of tree. Timber holdings from plantation sales are depleted when the significant risks and rewards of ownership have been transferred to the buyer, based on the area of timber sold or harvested.

Sino-Forest*Year End - December 31***IFRS****Canadian GAAP****2011 (6 mos)****2010****2009****2008****2007****2006****Balance Sheet****Assets****Current**

Cash and cash equivalents	\$ 861,648	\$ 1,223,352	\$ 1,102,366	\$ 441,171	\$ 328,690	\$ 152,887
Short-term deposits	37,217	32,101	70,387	45,784	22,163	18,550
Accounts receivable	428,020	636,626	282,306	225,753	105,329	124,784
Inventories	65,775	61,978	45,978	43,200	46,661	15,178
Prepaid expenses and other	97,631	125,238	54,747	21,768	24,185	19,524
Convertible bonds		-	29,446	2,659	-	-
Assets of discontinued operations		-	1,531	31,122	-	2,686
Timber holdings, measured at cost	3,483,676	-	-	-	-	-
	<u>4,973,967</u>	<u>2,079,295</u>	<u>1,586,761</u>	<u>811,457</u>	<u>527,028</u>	<u>333,609</u>
Timber holdings (IFRS: measured at fair value)	262,036	3,122,517	2,183,489	1,653,306	1,174,153	752,783
Capital assets, net	90,124	113,150	77,377	63,704	78,608	87,939
Investment properties	23,430					
Other non-current financial assets	9,072					
Intangible assets	272,718	139,910	636			
Deferred tax asset	3,948					
Other assets	266,928	274,161	115,636	75,457	57,708	32,924
	<u>\$ 5,902,223</u>	<u>\$ 5,729,033</u>	<u>\$ 3,963,899</u>	<u>\$ 2,603,924</u>	<u>\$ 1,837,497</u>	<u>\$ 1,207,255</u>

Sino-Forest*Year End - December 31***IFRS****Canadian GAAP**

	<u>2011 (6 mos)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Liabilities and Shareholders' Equity						
Current						
Bank indebtedness	\$ 204,501	\$ 153,959	\$ 103,991	\$ 67,188	\$ 55,383	\$ 70,958
Accounts payable and accrued liabilities	297,021	87,670	250,287	179,903	107,989	68,669
Income taxes payable	10,109	499,854	7,346	6,383	1,615	1,121
Liabilities of discontinued operations		10,602	12,156	32,004	32,016	38,300
Provisions	225,519					
Derivative financial instrument		3,699		5,214		
	<u>737,150</u>	<u>755,784</u>	<u>373,780</u>	<u>290,692</u>	<u>197,003</u>	<u>179,048</u>
Long-term debt	1,566,811	1,659,682	925,466	714,468	441,985	450,000
Deferred tax liability	49,593					
Derivative financial instrument	31,858	63,906	-	-	11,211	-
	<u>2,385,412</u>	<u>2,479,372</u>	<u>1,299,246</u>	<u>1,005,160</u>	<u>650,199</u>	<u>629,048</u>
Non-controlling interest	72,162	51,540				
Shareholders' equity						
Equity portion of convertible senior notes		158,883	158,883	70,462		
Share capital	1,268,022	1,261,300	1,213,495	539,315	537,141	143,511
Contributed surplus		11,673	12,200	7,599	3,906	4,726
Accumulated other comprehensive income		314,912	224,148	211,831	105,287	32,590
Statutory reserve		1,988	1,670			
Other reserves	211,773					
Retained earnings	1,964,854	1,449,365	1,054,257	769,557	540,964	397,380
	<u>3,444,649</u>	<u>3,198,121</u>	<u>2,664,653</u>	<u>1,598,764</u>	<u>1,187,298</u>	<u>578,207</u>
	<u>\$ 5,902,223</u>	<u>\$ 5,729,033</u>	<u>\$ 3,963,899</u>	<u>\$ 2,603,924</u>	<u>\$ 1,837,497</u>	<u>\$ 1,207,255</u>

Sino-Forest

Year End - December 31

IFRS**Canadian GAAP**

	<u>2011 (6 mos)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Income Statement</u>						
Revenue	\$ 656,308	\$ 1,923,536	\$ 1,238,185	\$ 896,045	\$ 713,866	\$ 555,480
Costs and Expenses						
Cost of Sales	470,387	1,252,023	797,800	530,083	470,825	380,508
Selling, General and Admin.	77,169	89,712	63,980	53,372	40,209	35,852
Depreciation and Amortization	519	5,145	4,693	3,206	5,364	3,975
	<u>547,556</u>	<u>1,346,880</u>	<u>866,473</u>	<u>586,661</u>	<u>516,398</u>	<u>420,335</u>
Income before Undernoted	108,752	576,656	371,712	309,384	197,468	135,145
Interest Expense	-90,027	-128,124	-70,977	-51,933	-43,960	-37,340
Interest Income	6,111	10,609	9,691	12,604	15,184	6,486
Exchange Losses		-3,086	-4,958	-4,735	12,409	3,676
Amortization of deferred financing costs						-1,819
Impairment of Capital Assets					-20,846	-877
Losses on Changes of Fair Value	431,749	-4,419	-417	-1,839	-2,996	-1,179
Other Income	519	2,932	1,600	1,946	3,206	1,312
	<u>457,104</u>	<u>454,568</u>	<u>306,651</u>	<u>265,427</u>	<u>160,465</u>	<u>105,404</u>
Provision for Income Taxes	32,263	70,644	27,864	24,105	18,034	13,192
Net Income from Continuing Operations	424,841	383,924	278,787	241,322	142,431	92,212
Net Income from Discontinue Operations	173	8,179	7,583	-12,729	9,842	21,268
Net Income Before Non-Controlling Interests	<u>425,014</u>	<u>392,103</u>	<u>286,370</u>	<u>228,593</u>	<u>152,273</u>	<u>113,480</u>
Non-Controlling Interests		3,323	0	0	0	0
Net Income for the Year	<u>\$ 425,014</u>	<u>\$ 395,426</u>	<u>\$ 286,370</u>	<u>\$ 228,593</u>	<u>\$ 152,273</u>	<u>\$ 113,480</u>

Sino-Forest

Year End - December 31

IFRS**Canadian GAAP**

	<u>2011 (6 mos)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statement of Cash Flows						
Cash Flows from Operating Activities						
Net Income for the Year	\$ 457,702	\$ 395,426	\$ 286,370	\$ 228,593	\$ 152,273	\$ 113,480
Net Income from Discontinued Operations		-8,179	-7,583	12,729	-9,842	-21,268
Add (deduct) Non-Cash Items						
Depletion of Timber Holdings Included in COS		746,474	522,397	284,532	284,808	177,730
Depreciation and Amortization		7,919	4,693	3,206	5,364	3,975
Accretion of Convertible Senior Notes		26,555	13,689	4,769	0	0
Stock-Based Compensation		3,573	4,601	4,276	2,898	3,105
Amortization of deferred financing costs						1,819
Impairment of Capital Assets				219	20,846	877
Loss on Changes in Fair Value		4,419	417	1,839	2,996	1,179
Interest Income from Mandra				-1,200	-2,100	-300
Unrealized Exchange (Gains)/Losses		-2,089	1,880	5,604	-1,816	
Other		-511	-751	2,656	74	62
	<u>126,529</u>	<u>1,173,587</u>	<u>825,713</u>	<u>547,223</u>	<u>455,501</u>	<u>280,659</u>
Net Change in Non-Cash Working Capital	<u>325,596</u>	<u>-333,502</u>	<u>-41,196</u>	<u>-60,040</u>	<u>27,000</u>	<u>-16,456</u>
Cash Flows from Operating Activities (Continuing Operations)	-211,859	840,085	784,517	487,183	482,501	264,203
Cash Flows from Operating Activities (Discontinued Operations)		-562	-826	-3,826	3,856	26,169
Cash Flows from Investing Activities						
Additions to Timber Holdings		-1,358,878	-1,032,009	-656,727	-640,257	-415,087
Increase in Other Assets		-43,331	-38,041	-9,554	-31,225	-10,000
Additions to Capital Assets		-25,240	-11,649	-29,187	-12,571	-10,028
Decrease (increase) in Non-Pledged Short-Term Assets		21,872	-10,942	-5,604	-8,698	11,912
Business Acquisition, net of cash acquired		2,139	0	-1,928	-795	
Proceeds of Disposal of Capital Assets		296	216	8	1,224	167
Acquisition of Convertible Bonds		0	-200			
Other		75	0			
	<u>-30,424</u>	<u>-1,403,067</u>	<u>-1,092,625</u>	<u>-702,992</u>	<u>-692,322</u>	<u>-423,036</u>
Cash Flows from Investing Activities		-30,424	-1,403,067	-1,092,625	-702,992	-423,036
Investing Cash Flows Used in Discontinued Operations		1,478	24,120	-1,236		

Sino-Forest*Year End - December 31***IFRS****Canadian GAAP**

	2011 (6 mos)	2010	2009	2008	2007	2006
Cash Flows from Financing Activities						
Increase in LT Debt		624,750	460,000	345,000	0	150,000
Increase in Bank Indebtedness		47,962	36,534	16,031	-17,015	29,175
Decrease (increase) in Pledged Short-Term Deposits		17,255	-13,633	-16,314	6,180	385
Issuance of Shares, net of Issue Costs		8,555	652,474	1,591	389,912	513
Increase in deferred financing costs						-3,001
Proceeds from Exercise of Share Options of Subsidiary		3,079	0			
Payment of Financing Costs		-20,328	-27,591	-9,135		
Repayment of LT Debt		-530	-150,000			
Payment on Derivative Financial Instruments		0	-5,781	-4,919	-2,165	-872
Cash Flows from Financing Activities	-121,349	680,743	952,003	332,254	376,912	176,200
Financing Cash Flows Used in Discontinued Operations	0	0	-5,972	-460		
Foreign Exchange Effects		2,309	-22	1,558	4,856	933
Change in Cash	-\$ 363,632	\$ 120,986	\$ 661,195	\$ 112,481	\$ 175,803	\$ 44,469

Sino-Forest - AI and Supplier Relationships

Relationships between Suppliers, AIs, and Sino-Forest stakeholders

AIs	Volume of Sales to AI (2006 - 2011)	Relationship with AIs, Supporters, Suppliers, Officers and Shareholders
AI #1 (OSC#2)	¥ 4,468,766,238	Officer #11 Shareholder #35 Shareholder #36
AI #2 (OSC#3)	¥ 4,093,476,998	Officer #3 Supplier #3 Supplier #9 Shareholder #3 (40% Ownership) Shareholder #10
AI #3 (OSC#4)	¥ 3,452,572,846	AI #13 Officer #8 Officer #12 Supplier #8 Shareholder #2
AI #4 (OSC#5)	¥ 3,325,784,208	Officer #12 Supplier #3 Shareholder #3 (40% Ownership)
AI #5 (OSC#6)	¥ 2,550,516,474	Supplier #4 Supplier #5 Shareholder #18 (50%+ Ownership)
AI #6 (OSC#7)	¥ 2,152,761,783	Officer #2 Supplier #5 Shareholder #18 (100% Ownership)
AI #7 (OSC#8)	¥ 1,902,592,018	Officer #9
AI #8 (OSC#9)	¥ 1,338,432,141	
AI #9 (OSC#10)	¥ 1,254,736,543	
AI #10 (OSC#11)	¥ 889,845,684	
AI #11 (OSC#12)	¥ 790,476,397	
AI #12 (OSC#13)	¥ 760,882,770	
AI #13 (OSC#14)	¥ 398,881,734	AI #3 Shareholder #32 Shareholder #34 Shareholder #37 Supplier #8
AI #14 (OSC#15)	¥ 85,833,654	
Supplier / AI # 14 (OSC#1)	¥ 26,169,920	Officer #8 Officer #10 Shareholder #2 Shareholder #32 Shareholder #37
Total	¥ 27,491,729,408	
Related Balances	¥ 22,371,522,219 81%	
Current AIs	¥ 17,493,362,073	
% of total	64%	
% related	100%	

Sino-Forest - AI and Supplier Relationships

Relationships between Suppliers, AIs, and Sino-Forest stakeholders

Suppliers	Volume of Purchases from Supplier (2006 - 2011)	Relationship with AIs, Supporters, Suppliers, Officers and Shareholders
Supplier #1 (OSC#1)	¥ 4,561,599,313	Shareholder #1 Shareholder #20
Supplier #2 (OSC#2)	¥ 3,585,236,345	Shareholder #11 (80% Ownership) Shareholder #12 (20% Ownership)
Supplier #3 (OSC#3)	¥ 3,359,656,141	AI #2 AI #4 Shareholder #3
Supplier #4 (OSC#4)	¥ 3,283,555,890	AI #5 Officer #2 Shareholder #16 (100% Ownership)
Supplier #5 (OSC#5)	¥ 2,638,027,668	AI #5 AI #6 Officer #2 Shareholder #16
Supplier #6 (OSC#6)	¥ 2,141,578,760	
Supplier #7 (OSC#7)	¥ 1,807,078,984	Shareholder #14 (60% Ownership)
Supplier #8 (OSC#8)	¥ 1,358,520,787	AI #3 AI #13 Officer #9 Officer #10 Shareholder #34 Shareholder #37
Supplier #9 (OSC#9)	¥ 1,101,316,748	Shareholder #1 (80% Ownership) Shareholder #14
Supplier #10 (OSC#10)	¥ 1,036,568,215	Officer #7
Supplier #11 (OSC#11)	¥ 985,535,044	Officer #7
Supplier #12 (OSC#12)	¥ 837,555,369	Shareholder #14
Supplier #13 (OSC#13)	¥ 793,415,921	Supporter #2 (40% Ownership) Shareholder #15 (20% Ownership)
Supplier #14 (OSC#14)	¥ 407,506,544	Officer #8 Officer #10 Shareholder #2 Shareholder #32 Shareholder #37
Supplier #15 (OSC#15)	¥ 376,411,353	
Supplier #16 (OSC#16)	¥ 174,469,785	
Supplier #17 (OSC#17)	¥ 156,202,550	
Supplier #18 (OSC#18)	¥ 49,928,352	Officer #1 Shareholder #14
Total	¥ 28,654,163,768	
Related Balances	¥ 25,805,501,321	
% of total	90%	

Note:

The volume of transactions were obtained from the "Asset Verification (BVI Supplier General Observations)" document included in the Independent Committee schedules.

TRUSTEES OF THE LABOURERS' PENSION FUND and SINO-FOREST CORPORATION *et al.*
OF CENTRAL AND EASTERN CANADA *et al.*
Plaintiffs Defendants

Court File No: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ALAN MAK

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
London, ON N6A 3V8
A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3
Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

Court File No.: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM

(NOTICE OF ACTION ISSUED JULY 20, 2011)

TO: Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: David Horsley
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Allen Chan
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: William Ardell
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Bowland
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Hyde
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Edmund Mak
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: W. Judson Martin
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Simon Murray
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

- AND TO: Kai Kit Poon**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Peter Wang**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Garry West**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7
- AND TO: BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, China
- AND TO: Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052
PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9

- AND TO: RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8
- AND TO: Merrill Lynch Canada Inc.**
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8
- AND TO: Canaccord Financial Ltd.**
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1
- AND TO: Maison Placements Canada Inc.**
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5
- AND TO: Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, NY 10010
- AND TO: Banc of America Securities LLC**
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

TABLE OF CONTENTS

I.	Defined Terms	3
II.	Claim.....	11
III.	Overview.....	13
IV.	The Parties	18
	A. <i>The Plaintiffs</i>	18
	B. <i>The Defendants</i>	19
V.	The Offerings	30
VI.	The Misrepresentations	34
	A. <i>Misrepresentations relating to Sino’s History and Fraudulent Origins</i>	35
	(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture.....	35
	(ii) Sino’s Fictitious Investment in SJXT	39
	(iii) Sino’s Materially Deficient and Misleading Class Period Disclosures regarding Sino’s History	44
	B. <i>Misrepresentations relating to Sino’s Forestry Assets</i>	46
	(i) Sino Overstates its Yunnan Forestry Assets	46
	(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname	47
	(iii) Sino overstates its Jiangxi Forestry Assets	50
	(iv) Poyry makes Misrepresentations in relation to Sino’s Forestry Assets	51
	C. <i>Misrepresentations relating to Sino’s Related Party Transactions</i>	54
	(i) Related Party Transactions Generally.....	54
	(ii) Sino fails to disclose that Zhonggan was a Related Party.....	54
	(iii) Sino fails to disclose that Homix was a Related Party.....	55
	(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party	57

(v)	Sino fails to disclose that Yuda Wood was a Related Party.....	57
(vi)	Sino fails to Disclose that Major Suppliers were Related Parties.....	58
D.	<i>Misrepresentations relating to Sino’s Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC</i>	59
E.	<i>Misrepresentations relating to Sino’s Relationships with its AIs</i>	65
(i)	Sino Misrepresents the Degree of its Reliance on its AIs.....	65
(ii)	Sino Misrepresents the Tax-related Risks Arising from its use of AIs.....	66
(iii)	Sino Misrepresents its Accounting Treatment of its AIs	71
F.	<i>Misrepresentations relating to Sino’s Cash Flow Statements</i>	72
G.	<i>Misrepresentations relating to Certain Risks to which Sino was exposed</i>	74
(i)	Sino is conducting “business activities” in China.....	74
(ii)	Sino fails to disclose that no proceeds were paid to it by its AIs.....	74
H.	<i>Misrepresentations relating to Sino’s GAAP Compliance and the Auditors’ GAAS Compliance</i>	76
(i)	Sino, Chan and Horsley misrepresent that Sino complied with GAAP	76
(ii)	E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS.....	83
(iii)	The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting	85
VII.	Chan’s and Horsley’s False Certifications.....	86
VIII.	The Truth Is Revealed.....	86
IX.	Sino Rewards Its Experts	100
X.	The Defendants’ Relationship to the Class	101
XI.	The Plaintiffs’ Causes of Action.....	104
A.	<i>Negligent Misrepresentation</i>	104
B.	<i>Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy</i>	105
(i)	Statutory Liability– Secondary Market under the Securities Legislation ..	105

(ii)	Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation.....	106
(iii)	Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation.....	107
(iv)	Negligence Simpliciter – Primary Market for Sino’s Securities.....	107
(v)	Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray	111
(vi)	Unjust Enrichment of Sino.....	112
(vi)	Unjust Enrichment of the Underwriters	112
(vii)	Oppression	113
(viii)	Conspiracy	115
XII.	The Relationship between Sino’s Disclosures and the Price of Sino’s Securities.....	119
XIII.	Vicarious Liability	120
A.	<i>Sino and the Individual Defendants</i>	120
B.	<i>E&Y</i>	121
C.	<i>BDO</i>	121
D.	<i>Pöyry</i>	121
E.	<i>The Underwriters</i>	122
XIV.	Real and Substantial Connection with Ontario.....	122
XV.	Service Outside of Ontario.....	123
XVI.	Relevant Legislation, Place of Trial, Jury Trial and Headings	123

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:
 - (a) “**AI**” means Authorized Intermediary;

- (b) “**AIF**” means Annual Information Form;
- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Banc of America Securities LLC;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s** Code of Business Conduct;

- (p) “**CPA**” means the Ontario *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;
- (q) “**Credit Suisse**” means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) “**Credit Suisse USA**” means the defendant Credit Suisse Securities (USA) LLC;
- (s) “**Defendants**” means **Sino, the Individual Defendants, Pöyry, BDO, E&Y** and the **Underwriters**;
- (t) “**December 2009 Offering Memorandum**” means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which **Sino** filed on **SEDAR** on December 11, 2009;
- (u) “**December 2009 Prospectus**” means **Sino**’s Final Short Form Prospectus, dated December 10, 2009, which **Sino** filed on **SEDAR** on December 11, 2009;
- (v) “**Dundee**” means the defendant Dundee Securities Corporation;
- (w) “**E&Y**” means the defendant, Ernst and Young LLP;
- (x) “**Excluded Persons**” means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;
- (y) “**Final Report**” means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) “**GAAP**” means Canadian generally accepted accounting principles;
- (aa) “**GAAS**” means Canadian generally accepted auditing standards;
- (bb) “**Horsley**” means the defendant David J. Horsley;
- (cc) “**Hyde**” means the defendant James M.E. Hyde;

(dd) “**Impugned Documents**” mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements (filed on **SEDAR** on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on **SEDAR** on March 19, 2007), 2006 **AIF** (filed on **SEDAR** on March 30, 2007), 2006 Annual **MD&A** (filed on **SEDAR** on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on **SEDAR** on May 4, 2007), Q1 2007 **MD&A** (filed on **SEDAR** on May 14, 2007), Q1 2007 Financial Statements (filed on **SEDAR** on May 14, 2007), **June 2007 Prospectus**, Q2 2007 **MD&A** (filed on **SEDAR** on August 13, 2007), Q2 2007 Financial Statements (filed on **SEDAR** on August 13, 2007), Q3 2007 **MD&A** (filed on **SEDAR** on November 12, 2007), Q3 2007 Financial Statements (filed on **SEDAR** on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on **SEDAR** on March 18, 2008), 2007 **AIF** (filed on **SEDAR** on March 28, 2008), 2007 Annual **MD&A** (filed on **SEDAR** on March 18, 2008), Amended 2007 Annual **MD&A** (filed on **SEDAR** on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on **SEDAR** on May 6, 2008), Q1 2008 **MD&A** (filed on **SEDAR** on May 13, 2008), Q1 2008 Financial Statements (filed on **SEDAR** on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 **MD&A** (filed on **SEDAR** on August 12, 2008), Q2 2008 Financial Statements (filed on **SEDAR** on August 12, 2008), Q3 2008 **MD&A** (filed on **SEDAR** on November 13, 2008), Q3 2008 Financial Statements (filed on **SEDAR** on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on **SEDAR** on March 16, 2009), 2008 Annual **MD&A** (filed on **SEDAR** on March 16, 2009), Amended 2008 Annual **MD&A** (filed on **SEDAR** on March 17, 2009), 2008 **AIF** (filed on **SEDAR** on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on **SEDAR** on May 4, 2009), Q1 2009 **MD&A** (filed on **SEDAR** on May 11, 2009), Q1 2009 Financial Statements (filed on **SEDAR** on May 11, 2009), **June 2009 Prospectus**, **June 2009 Offering Memorandum**, Q2 2009 **MD&A** (filed on **SEDAR** on August 10, 2009), Q2 2009 Financial Statements (filed on **SEDAR** on August 10, 2009), Q3 2009 **MD&A** (filed on **SEDAR** on November 12, 2009),

Q3 2009 Financial Statements (filed on **SEDAR** on November 12, 2009), **December 2009 Prospectus**, **December 2009 Offering Memorandum**, 2009 Annual **MD&A** (filed on **SEDAR** on March 16, 2010), 2009 Audited Annual Financial Statements (filed on **SEDAR** on March 16, 2010), 2009 **AIF** (filed on **SEDAR** on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on **SEDAR** on May 11, 2010), Q1 2010 **MD&A** (filed on **SEDAR** on May 12, 2010), Q1 2010 Financial Statements (filed on **SEDAR** on May 12, 2010), Q2 2010 **MD&A** (filed on **SEDAR** on August 10, 2010), Q2 2010 Financial Statements (filed on **SEDAR** on August 10, 2010), **October 2010 Offering Memorandum**, Q3 2010 **MD&A** (filed on **SEDAR** on November 10, 2010), Q3 2010 Financial Statements (filed on **SEDAR** on November 10, 2010), 2010 Annual **MD&A** (March 15, 2011), 2010 Audited Annual Financial Statements (filed on **SEDAR** on March 15, 2011), 2010 **AIF** (filed on **SEDAR** on March 31, 2011), and Management Information Circular dated May 2, 2011 (filed on **SEDAR** on May 10, 2011);

- (ee) “**Individual Defendants**” means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West**, collectively;
- (ff) “**July 2008 Offering Memorandum**” means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which **Sino** filed on **SEDAR** as a schedule to a material change report on July 25, 2008;
- (gg) “**June 2007 Prospectus**” means **Sino**’s Short Form Prospectus, dated June 5, 2007, which **Sino** filed on **SEDAR** on June 5, 2007;
- (hh) “**June 2009 Offering Memorandum**” means **Sino**’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which **Sino** filed on **SEDAR** as a schedule to a material change report on June 25, 2009;

- (ii) “**June 2009 Prospectus**” means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on **SEDAR** on June 1, 2009;
- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s **Securities** that occurred during the **Class Period** including the public offerings of Sino’s common shares pursuant to the **June 2007, June 2009** and **December 2009 Prospectuses**, as well as the offerings of Sino’s notes pursuant to **the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda**, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in

Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;

- (vv) “**Poon**” means the defendant Kai Kit Poon;
- (ww) “**Pöyry**” means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) “**PRC**” means the People’s Republic of China;
- (yy) “**Representation**” means the statement that Sino’s financial statements complied with **GAAP**;
- (zz) “**RBC**” means the defendant RBC Dominion Securities Inc.;
- (aaa) “**Scotia**” means the defendant Scotia Capital Inc.;
- (bbb) “**Second Report**” means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) “**Securities**” means Sino’s common shares, notes or other securities, as defined in the *OSA*;
- (ddd) “**Securities Legislation**” means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) “**SEDAR**” means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

- (fff) “**Sino**” means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) “**TD**” means the defendant TD Securities Inc.;
- (hhh) “**TSX**” means the Toronto Stock Exchange;
- (iii) “**Underwriters**” means **Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD**, collectively;
- (jjj) “**Wang**” means the defendant Peter Wang;
- (kkk) “**West**” means the defendant Garry J. West; and
- (lll) “**WFOE**” means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

II. CLAIM

2. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;
- (b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;
- (c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;
- (d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;
- (e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;
- (f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of \$6.5 billion;
- (g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of \$175,835,000;
- (h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, E&Y, Dundee, Merrill, Credit Suisse, Scotia and TD, general damages in the sum of \$330,000,000;

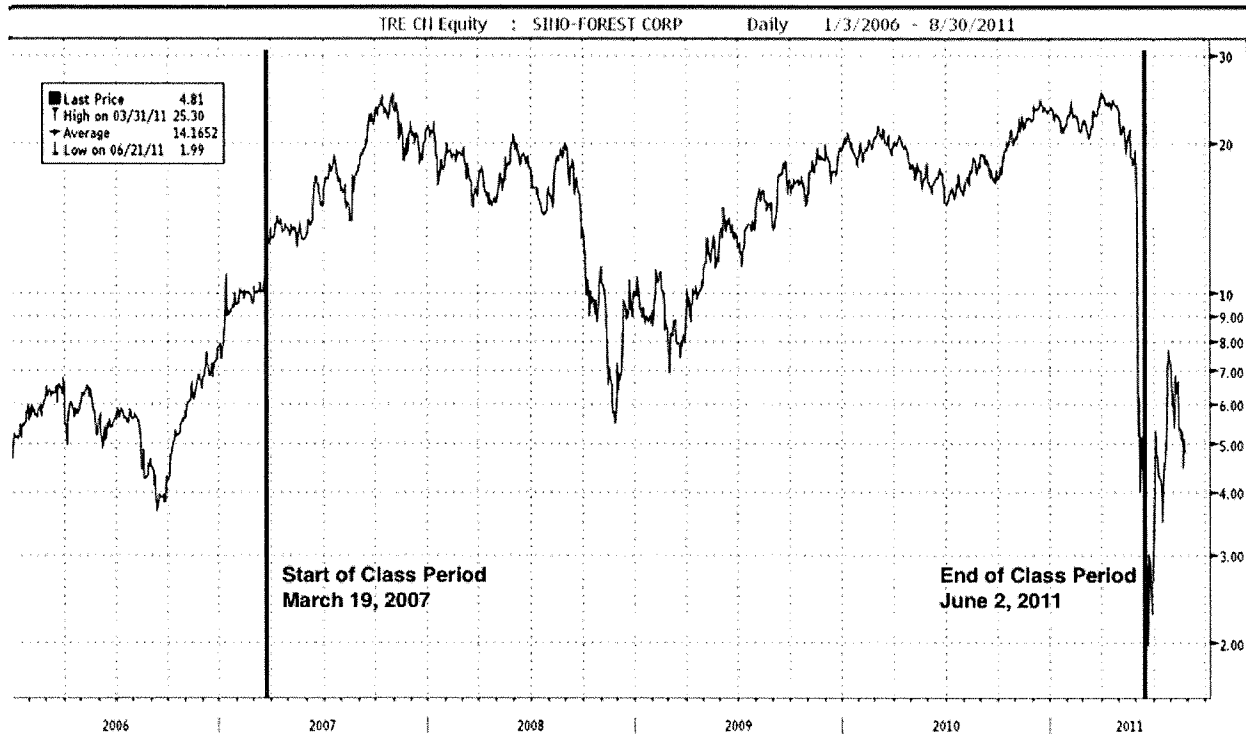
- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of \$319,200,000;
- (j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$345 million;
- (k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$400 million;
- (l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US\$460 million;
- (m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US\$600 million;

- (n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of \$50 million;
- (o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;
- (p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;
- (q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;
- (r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;
- (s) Prejudgment and post judgment interest;
- (t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (u) Such further and other relief as to this Honourable Court may seem just.

III. OVERVIEW

3. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere. Throughout that period, Sino has also claimed to have experienced breathtaking growth.

4. Beguiled by Sino's reported results, and by Sino's constant refrain that China constituted an extraordinary growth opportunity, investors drove Sino's stock price dramatically higher, as appears from the following chart:



5. The Defendants profited handsomely from the market's appetite for Sino's securities. Certain of the Individual Defendants sold Sino shares at lofty prices, and thereby reaped millions of dollars of gains. Sino's senior management also used Sino's illusory success to justify their lavish salaries, bonuses and other perks. For certain of the Individual Defendants, these outsized gains were not enough. Sino stock options granted to Chan, Horsley and other insiders were backdated or otherwise mispriced, prior to and during the Class Period, in violation of the TSX Rules, GAAP and the Securities Legislation.

6. Sino itself raised in excess of \$2.7 billion¹ in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

7. As a reporting issuer in Ontario and elsewhere, Sino was required at all material times to comply with GAAP. Indeed, Sino, BDO and E&Y, Sino's auditors during the Class Period and previously, repeatedly misrepresented that Sino's financial statements complied with GAAP. This was false.

8. On June 2, 2011, Muddy Waters, a short seller and research firm with extensive PRC experience, issued its first research report in relation to Sino, and unveiled the scale of the deception that had been worked upon the Class Members. Muddy Waters' initial report effectively revealed, among other things, that Sino had materially misstated its financial results, had falsely claimed to have acquired trees that it did not own, had reported sales that had not been made, or that had been made in a manner that did not permit Sino to book those sales as revenue under GAAP, and had concealed numerous related party transactions. These revelations had a catastrophic effect on Sino's stock price.

9. On June 1, 2011, prior to the publication of Muddy Waters' report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares fell to \$14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

10. On June 3, 2011, Sino announced that, in response to the allegations of Muddy Waters, its board had formed a committee, which Sino then falsely characterized as "independent" (the

¹ Dollar figures are in Canadian dollars (unless otherwise indicated) and are rounded for convenience.

“Independent Committee” or “IC”), to examine and review the allegations contained in the Muddy Waters’ report of June 2, 2011. The initial members of the IC were the Defendants Ardell, Bowland and Hyde. The IC subsequently retained legal, accounting and other advisers to assist it in the fulfillment of its mandate.

11. On August 26, 2011, the OSC issued a cease-trade order in respect of Sino’s securities, alleging that Sino appeared to have engaged in significant non-arm’s length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino’s revenue and/or exaggerated some of its timber holdings, and that Sino and certain of its officers and directors, including Chan, appeared to be engaging or participating in acts, practices or a course of conduct related to Sino’s securities which they (or any of them) knew or ought reasonably know would perpetuate a fraud.

12. On November 13, 2011, the IC released the Second Report. Therein, the IC revealed, *inter alia*, that: (1) Sino’s management had failed to cooperate in numerous important respects with the IC’s investigation; (2) “there is a risk” that certain of Sino’s operations “taken as a whole” were in violation of PRC law; (3) Sino adopted processes that “avoid[] Chinese foreign exchange controls which must be complied with in a normal cross-border sale and purchase transaction, and [which] could present an obstacle to future repatriation of sales proceeds, and could have tax implications as well”; (4) the IC “has not been able to verify that any relevant income taxes and VAT have been paid by or on behalf of the BVIs in China”; (5) Sino lacked proof of title to the vast majority of its purported holdings of standing timber; (6) Sino’s “transaction volumes with a number of AI and Suppliers do not match the revenue reported by such Suppliers in their SAIC filing”; (7) “[n]one of the BVI timber purchase contracts have as

attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by the Company; and (8) “[t]here are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials.”

13. On January 31, 2012, the IC released its Final Report. Therein, the IC effectively revealed that, despite having conducted an investigation over nearly eight months, and despite the expenditure of US\$50 million on that investigation, it had failed to refute, or even to provide plausible answers to, key allegations made by Muddy Waters:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC’s conclusions regarding its examination and review. The IC’s activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company’s Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.

[...]

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions

14. Sino failed to meet the standards required of a public company in Canada. Aided by its auditors and the Underwriters, Sino raised billions of dollars from investors on the false premise that they were investing in a well managed, ethical and GAAP-compliant corporation. They

were not. Accordingly, this action is brought to recover the Class Members' losses from those who caused them: the Defendants.

IV. THE PARTIES

A. *The Plaintiffs*

15. Labourers are the trustees of the Labourers' Pension Fund of Central and Eastern Canada, a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in assets, over 39,000 members and over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related.

16. Operating Engineers are the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 Offering Memorandum and in the distribution to which that Offering Memorandum related. Grant continued to hold those Notes at the end of the Class Period.

19. Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related, and continued to own those shares at the end of the Class Period.

B. *The Defendants*

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:

- (a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
- (b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
- (c) contemporaneously with each of the above, a MD&A of each of the above financial statements; and
- (d) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future.

24. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.

25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US\$3.0 million, US\$3.8 million, US\$5.0 million, US\$7.6 million and US\$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of \$10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of \$11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US\$1.1 million, US\$1.4 million, US\$1.7 million, US\$2.5 million, and US\$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of \$34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of \$474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of \$6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of \$9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of \$2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs *of investors and creditors*" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.

59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately \$7.5 million, \$14.0 million and \$14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US\$2.2 million, US\$8.5 million and \$US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of \$2.7 billion from investors during the Class Period. In particular:

- (a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of \$12.65 per share for gross proceeds of \$201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;
- (b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US\$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;
- (c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of \$11.00 per share for gross proceeds of \$379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

- (d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US\$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;
- (e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US\$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

- (f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the “**Prospectuses**”) pursuant to which Sino distributed to the public 21,850,000 common shares at a price of \$16.80 per share for gross proceeds of \$367,080,000. The December 2009 Prospectus incorporated by reference Sino’s: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled “Valuation of China Forest Corp Assets As at 31 December 2008” dated April 1, 2009;
- (g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD\$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD\$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD\$187,187,000 in aggregate principal amount of Sino’s existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and
- (h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US\$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino’s Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors’ report of E&Y dated March 15, 2010 with respect to Sino’s Annual Financial Statements for 2008 and 2009; and (3) Sino’s unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.

64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have receipted the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

VI. THE MISREPRESENTATIONS

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

- A. Sino's history and fraudulent origins;
- B. Sino's forestry assets;
- C. Sino's related party transactions;

- D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;
- E. Sino's relationships with its "Authorized Intermediaries;"
- F. Sino's cash flows;
- G. Certain risks to which Sino was exposed; and
- H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.

A. *Misrepresentations relating to Sino's History and Fraudulent Origins*

(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture

71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("**Leizhou**"). The stated purpose of Leizhou, established in 1994, was:

Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m³ of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m³.

72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("**EJV**") and cooperating joint ventures ("**CJV**"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have “phased-in.” Leizhou was the key driver of Sino’s purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US\$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US\$11.3 million, US\$23.9 million and US\$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28th January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29th January in the same year. It has been 4 years since the registration and we set out the situation as follows:

I. Information of the investment of both sides

- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20th June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16th March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30th January 1996. In accordance with the notice, the foreign party then on 10th April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20th December the same year. On 14th May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14th May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11th June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30th June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29th January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30th April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

II. *The Joint Venture is not capable of attaining substantial operation*

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

The \$14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

(ii) Sino's Fictitious Investment in SJXT

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "1997 Financial Statements"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("SJXT"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as “Shanghai Jin Xiang Timber Ltd.” While an entity called “Shanghai Jin Xiang Timber Wholesale Market” does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately US\$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US\$1.0 million. In Sino’s balance sheet as at December 31, 1997, the SJXT investment was shown as an asset of \$1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m³ of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate “significant revenue” for Sino-Forest amounting to approximately \$40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino’s total reported revenues in 1998 were \$92.7 million.

84. In Sino’s Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the “**1998 Financial Statements**”), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total

investment in SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately \$1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US\$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SJXT investment was again shown as an asset of US\$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US\$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising. Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.

The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.

The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.

[...]

The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.

[Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the “Agency Agreement with SJXT [is] expected to generate approximately \$40 million over 18 months.”

88. In Sino’s Annual Report for 1999, Sino stated:

There are also promising growth opportunities as Sino-Forest’s investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops. The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.

Sino-Forest’s investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company’s lumber and wood products trading business.

[Emphasis added.]

89. In Sino’s MD&A for the year ended December 31, 1999, Sino also stated that:

Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999. Lumber and wood products trading on an agency basis has increased 35% from \$2.3 million in 1998 to \$3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately \$1.8 million of fees earned from a new customer.

[Emphasis added.]

90. That same MD&A, however, also states that “The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999*” (emphasis added).

91. In Sino’s Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the “1999 Financial Statements”), Sino stated:

During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of \$868,000* [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of \$278,000* as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%*. The principal activity of SJXT is to organize trading of timber and logs in the PRC market.

[Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of \$1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, \$796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of \$796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "**2000 Financial Statements**"), Sino stated:

In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of \$868,000 [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of \$278,000 as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of \$796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of \$519,000, being the sum of Sino's purported SJXT investment of \$1,315,000 as at December 31, 1999, and the \$796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interest therein.

(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by

the Code, which touted the “high standards of ethical conduct, in both words and actions”, of Sino’s senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

102. Similarly, the June 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

103. Finally, the December 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the

Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

B. *Misrepresentations relating to Sino's Forestry Assets*

(i) Sino Overstates its Yunnan Forestry Assets

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US\$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("**Sino-Panel**"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("**Gengma Forestry**") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US\$700 million to US\$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("**Greenheart**").

110. In August 2010, Greenheart issued an aggregate principal amount of US\$25,000,000 convertible notes for gross proceeds of US\$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname

312,000 hectares now under Greenheart management

Hong Kong, March 1, 2011 – Greenheart Group Limited (“Greenheart” or “the Company”) (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. (“Vista”), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart’s concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*

Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

[Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and ***manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America*** ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. ***We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.***

[Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries.

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino overstates its Jiangxi Forestry Assets

119. On June 11, 2009, Sino issued a press release in which it stated:

Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.

Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m³) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m³, to the extent permitted under the relevant PRC laws and regulations. ***The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares*** to achieve an estimated average wood fibre yield of approximately 100 m³ per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.

In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("**Zhonggan**") for US\$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US\$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

- (a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US\$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;
- (b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;
- (c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the

area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,” provided figures and tables regarding Yunnan, stated that “Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest,” stated that “the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha” and that “[a]lmost 97% of the broadleaf forest is in Yunnan,” and provided a detailed discussion of Sino’s Yunnan “holdings” at Appendixes 3 and 4. Pöyry’s 2010 Valuations were incorporated in Sino’s 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

- (d) In a “Summary Valuation Report” regarding “Valuation of Purchased Forest Crops as at 31 December 2010” and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that “[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces” and that “[a]nalysis of [Sino’s] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,” and stated that “[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;” and
- (e) In a press release titled “Summary of Sino-Forest’s China Forest Asset 2010 Valuation Reports” and which was “jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports,” Pöyry reported on Sino’s “holdings” and estimated the market value of Sino’s forest assets on the 754,816 ha to be approximately US\$3.1 billion as at December 31, 2010.

C. *Misrepresentations relating to Sino's Related Party Transactions*

(i) Related Party Transactions Generally

124. Under GAAP and GAAS, a “related party” exists “when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other.” (CICA Handbook 3840.03) Examples include a parent-subsidary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm’s length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary “sells” an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm’s length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

(ii) Sino fails to disclose that Zhonggan was a Related Party

127. Irrespective of the true extent of Zhonggan’s transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino fails to disclose that Homix was a Related Party

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited (“**Homix**”), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US\$7.1 million. That press release stated:

HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.

[...]

Mr. Allen Chan, Sino-Forest’s Chairman & CEO, said, “As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("**Jiangsu**")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

HOMIX acquisition

In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for \$7.1 million. This corporate acquisition is small but strategically important *adding valuable intellectual property rights* and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. *Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture.* Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a

variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

(iv) Sino fails to disclose that Yunnan Shunxuan was a Related Party

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

(v) Sino fails to disclose that Yuda Wood was a Related Party

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("**Yuda Wood**"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *“there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood’s RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)”* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

(vi) Sino fails to Disclose that Major Suppliers were Related Parties

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino’s purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC*

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officials, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

- (a) In the 2008 AIF: "*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management*, and we are in the process of applying for the plantation rights

certificates for those plantations for which we have not obtained such certificates” [emphasis added];

(b) In the 2009 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added]; and

(c) In the 2010 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries (“BVIs”) in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

- (a) In the July 2008 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (b) In the June 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (c) In the October 2010 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (d) In the 2006 AIF, Sino stated “Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (e) In the 2007 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (f) In the 2008 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations”;

- (g) In the 2009 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”;
- (h) In the December 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”; and
- (i) In the 2010 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations.”

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that “*in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred*” [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the “Notice on the Implementation of Nationwide Uniform Plantation Right Certificates” (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the “Notice”). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*

[Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

- (a) In the 2006 AIF: “In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*” [emphasis added]; and
- (b) In the 2007 AIF: “For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*” [emphasis added]

E. Misrepresentations relating to Sino's Relationships with its AIs

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with its AIs.

(i) Sino Misrepresents the Degree of its Reliance on its AIs

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. ***In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.***

[Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) *Sino Misrepresents the Tax-related Risks Arising from its use of AIs*

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties maybe also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US\$10 million to US\$150 million, US\$50 million to US\$260 million, US\$81 million to US\$371 million, and US\$83 million to US\$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

- (a) In the 2006 Annual Financial Statements, note 11 [b] “Provision for tax related liabilities” and associated text;
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the AIF dated March 30, 2007, the section “Estimation of the Company’s provision for income and related taxes,” and associated text;
- (d) In the Q1 and Q2 2007 Financial Statements, note 5 “Provision for Tax Related Liabilities,” and associated text;
- (e) In the Q3 2007 Financial Statements, note 6 “Provision for Tax Related Liabilities,” and associated text;
- (f) In the 2007 Annual Financial Statements, note 13 [b] “Provision for tax related liabilities,” and associated text;
- (g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (h) In the AIF dated March 28, 2008, the section “Estimation of the Corporation’s provision for income and related taxes,” and associated text;
- (i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 “Provision for Tax Related Liabilities,” and associated text;
- (j) In the Q1, Q2 and Q3 2008 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (k) In the July 2008 Offering Memorandum, the subsection “Taxation” in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and associated text;

- (l) In the 2008 Annual Financial Statements, note 13 [d] “Provision for tax related liabilities,” and associated text;
- (m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (n) In the AIF dated March 31, 2009, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text;
- (o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 “Provision for Tax Related Liabilities,” and associated text;
- (p) In the Q1, Q2 and Q3 2009 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (q) In the 2009 Annual Financial Statements, note 15 [d] “Provision for tax related liabilities,” and associated text;
- (r) In the 2009 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (s) In the AIF dated March 31, 2010, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text;
- (t) In the Q1 and Q2 2010 Financial Statements, note 14 “Provision for Tax Related Liabilities,” and associated text;
- (u) In the Q1 and Q2 2010 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;

- (v) In the Q3 2010 Financial Statements, note 14 “Provision and Contingencies for Tax Related Liabilities,” and associated text; and
- (w) In the Q3 2010 MD&As, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (x) In the October 2010 Offering Memorandum, the subsection “Taxation” in the section “Selected Financial Information,” and associated text;
- (y) In the 2010 Annual Financial Statements, note 18 “Provision and Contingencies for Tax Related Liabilities,” and associated text;
- (z) In the 2010 Annual MD&A, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text; and
- (aa) In the AIF dated March 31, 2011, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text.

171. In every Impugned Document that is a financial statement, the line item “Accounts payable and accrued liabilities” and associated figures on the Consolidated Balance Sheets fails to properly account for Sino’s tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US\$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

(iii) *Sino Misrepresents its Accounting Treatment of its AIs*

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. ***Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.***

[Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. ***Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.***

[Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions. This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

F. *Misrepresentations relating to Sino's Cash Flow Statements*

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory": cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material

overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

G. *Misrepresentations relating to Certain Risks to which Sino was exposed*

(i) Sino is conducting "business activities" in China

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

(ii) Sino fails to disclose that no proceeds were paid to it by its AIs

187. In the Second Report, Sino belatedly revealed that:

In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. ***No proceeds are directly paid to the Company, either onshore or offshore.***

[Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

- (a) In the 2005 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities” [emphasis added];
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the 2006 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (d) In the 2007 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;”
- (e) In the 2008 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (f) In the 2009 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added]; and

- (g) In the 2010 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added].

H. *Misrepresentations relating to Sino’s GAAP Compliance and the Auditors’ GAAS Compliance*

(i) Sino, Chan and Horsley misrepresent that Sino complied with GAAP

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007, at Note 1: “These consolidated financial statements Sino-Forest Corporation (the “Company”) have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008, at Note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;

- (d) In the annual financial statements filed on March 16, 2010, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”.

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

- (a) In the annual MD&A filed on March 19, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (b) In the quarterly MD&A filed on May 14, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (c) In the quarterly MD&A filed on August 13, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (d) In the quarterly MD&A filed on November 12, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;

- (e) In the annual MD&A filed on March 18, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (f) In the amended annual MD&A filed on March 28, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (g) In the quarterly MD&A filed on May 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (h) In the quarterly MD&A filed on August 12, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (i) In the quarterly MD&A filed on November 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (j) In the annual MD&A filed on March 16, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (k) In the amended annual MD&A filed on March 17, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (l) In the quarterly MD&A filed on May 11, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (m) In the quarterly MD&A filed on August 10, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;

- (n) In the quarterly MD&A filed on November 12, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (o) In the annual MD&A files on March 16, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (p) In the quarterly MD&A filed on May 12, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (q) In the quarterly MD&A filed on August 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (r) In the quarterly MD&A filed on November 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”); and
- (s) In the annual MD&A filed on March 15, 2011: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”).”

193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:

- (a) In the July 2008 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada” and “Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]”;

- (b) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP”;
- (c) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada” and “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP”; and
- (d) In the October 2010 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-

month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP.”

195. In the Class Period Management’s Reports, Chan and Horsley represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management’s Reports that Sino’s financial statements were GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (d) In the annual financial statements filed on March 16, 2010 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles.”

(ii) *E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS*

197. In each of Sino’s Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino’s financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

- (a) In Sino’s annual financial statements filed on March 19, 2007, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (b) In the June 2007 Prospectus, BDO stated: “We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents”;
- (c) In Sino’s annual financial statements filed on March 18, 2008, E&Y stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007”;

- (d) In the July 2008 Offering Memorandum, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles” and E&Y stated “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles”;
- (e) In Sino’s annual financial statements filed on March 16, 2009, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (f) In Sino’s annual financial statements filed on March 16, 2010, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles”; and

- (g) In Sino’s annual financial statements filed on March 15, 2011, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards.” and “In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.”

(iii) *The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting*

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino’s auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino’s financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino’s securities on the critical premise that Sino’s financial statements were in fact GAAP-compliant, and that Sino’s auditors had in fact conducted their audits in compliance with GAAS. Sino’s reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino’s purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino’s securities.

201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

VIII. THE TRUTH IS REVEALED

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE’s default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE’s fraud is a convoluted structure whereby it claims to run most of its revenues through “authorized intermediaries” (“AI”). AIs are supposedly timber trader customers who purportedly pay much of TRE’s value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.

The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

[...]

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006 [...]

[...]

Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

205. Muddy Waters’ report also disclosed that (a) Sino’s business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters’ initial report became public, Sino shares fell to \$14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of \$18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

Timber Ownership

[...]

The Company does not obtain registered title to BVI purchased plantations. In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. ***The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved*** with the Suppliers in a manner satisfactory to the Company.

Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. ***Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.*** In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers. The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained. It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, ***these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.***

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. ***However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.*** We note also that the independent valuation referred to in Part VIII below has not yet been completed.

Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, ***the IC was unable to review any documentation of AIs or Suppliers which independently verified movements***

of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.

Relationships

- Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)*. Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*

- Other: The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.

- Accounting Considerations: *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute “business activities” within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking “business activities” within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

(a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register*; and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes*;
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities: *many third parties explained their reluctance to provide requested documentation and information as being “for tax reasons” but declined to elaborate*; and

- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships*. The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company’s business and in relation to North American practices; including:

- *incomplete or inadequate record creation and retention practices;*
- contracts not maintained in a central location;
- significant volumes of data maintained across multiple locations on decentralized servers;
- *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;*
- no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- ***no internal audit function*** although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- ***SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses*** which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: ***The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.***

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. ***In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.*** In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: ***The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.*** The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the

forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. ***The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.***

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. ***That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:***

- ***book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited***
- ***recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.***

A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. ***However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.*** At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. ***While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.*** It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.

(iii) Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.

(iv) Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. ***As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.***

1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. ***As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.*** The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of

obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

(a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. ***The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.***

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

(b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14. as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. ***Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.***

3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. ***The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.***

4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid \$163,623 by Sino in 2010, \$115,962 in 2009, \$57,000 in 2008 and \$55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total \$712,000 in 2008, \$1,225,000 in 2009 and \$992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.

216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

XI. THE PLAINTIFFS' CAUSES OF ACTION

A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy*

(i) Statutory Liability—Secondary Market under the Securities Legislation

231. The Plaintiffs plead the claim found in Part XXIII.1 of the *OSA*, and, if required, the equivalent sections of the Securities Legislation other than the *OSA*, against all Defendants except the Underwriters.

232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a “Core Document” within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

235. Sino is a reporting issuer within the meaning of the Securities Legislation.

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

(ii) *Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation*

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

(iii) Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino’s notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

(iv) Negligence Simpliciter – Primary Market for Sino’s Securities

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the “**Primary Market Defendants**”) acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.

254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) *Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray*

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

(vi) Unjust Enrichment of Sino

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

(vi) Unjust Enrichment of the Underwriters

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

(vii) Oppression

274. The Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's

best interests and, in turn, in the interests of its security holders. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

- (a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;
- (b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;
- (d) Sino and the Individual Defendants would not make the misrepresentations particularized above;
- (e) Sino stock options would not be backdated or otherwise mispriced; and
- (f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

- (a) Sino did not comply with GAAP;
- (b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino's corporate governance procedures and internal controls were inadequate;
- (d) the misrepresentations particularized above were made;
- (e) stock options were backdated and/or otherwise mispriced; and
- (f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders. The value of the shareholders' investments was based on, among other things:

- (a) the profitability of Sino;
- (b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;
- (c) Sino's compliance with its disclosure obligations;
- (d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and
- (e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

(viii) Conspiracy

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "**Conspirators**") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

- (a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;
- (b) artificially increase the value of the securities they held; and
- (c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

- (a) they agreed to, and did, make the Representation, which they knew was false;
- (b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;
- (c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;
- (d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and
- (e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

- (a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;
- (b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and
- (c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

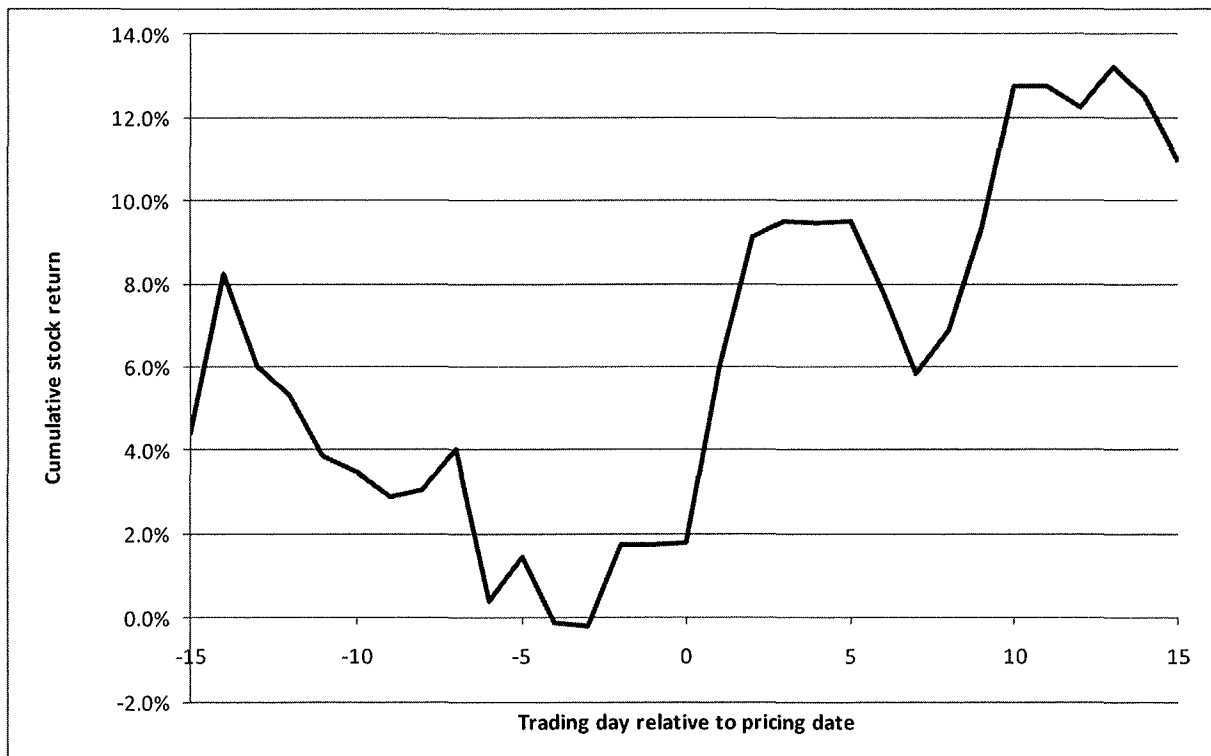
285. At all material times, the Sino Option Plan (the "**Plan**") prohibited in-the-money options.

286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX

Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the *OSA*, the Securities Legislation other than the *OSA*, the Code, the rules and requirements of the TSX (the “**TSX Rules**”) and the *CBCA*. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino’s securities.

290. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

XII. THE RELATIONSHIP BETWEEN SINO’S DISCLOSURES AND THE PRICE OF SINO’S SECURITIES

291. The price of Sino’s securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino’s disclosure documents upon the price of its Sino’s securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

XIII. VICARIOUS LIABILITY

A. *Sino and the Individual Defendants*

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

B. E&Y

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

C. BDO

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

D. Pöyry

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

305. The acts or omissions particularized and alleged in this Claim to have been done by Pöyry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöyry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöyry.

E. *The Underwriters*

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

308. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

- (a) Sino is a reporting issuer in Ontario;
- (b) Sino's shares trade on the TSX which is located in Toronto, Ontario;
- (c) Sino's registered office and principal business office is in Mississauga, Ontario;
- (d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario;

- (f) Sino carries on business in Ontario; and
- (g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

XV. SERVICE OUTSIDE OF ONTARIO

309. The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the Rules of Civil Procedure, because this claim is:

- (a) a claim in respect of personal property in Ontario (para 17.02(a));
- (b) a claim in respect of damage sustained in Ontario (para 17.02(h));
- (c) a claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and
- (d) a claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and
- (e) a claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

311. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

January 26, 2012

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

Michael G. Robb (LSUC#: 45787G)

Tel: 519.660.7872

Fax: 519.660.7873

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Ptak (LSUC#: 45773F)

Tel: 416-595.2149

Fax: 416.204.2903

Lawyers for the Plaintiffs

Trustees of the Labourers' Pension Fund of Central and Eastern Canada,
et al.
Plaintiffs

and

Sino-Forest Corporation,
et al.
Defendants

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754
Michael G. Robb (LSUC#: 45787G)
Tel: 519.660.7872
Fax: 519.660.7873

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903
Lawyers for the Plaintiffs

**The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.**

and

Sino-Forest corporation, et al.

Court File No: CV-11-431153-00CP

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at Toronto

**MOTION RECORD OF THE PLAINTIFFS
(Motion for Leave – Part XXIII.1 of the *Securities Act*)
Volume 3**

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

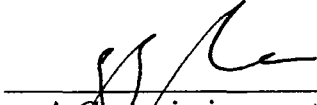
Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

Lawyers for the Plaintiffs

This is Exhibit "B" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the Class Proceedings Act, 1992

FRESH AS AMENDED STATEMENT OF CLAIM

(NOTICE OF ACTION ISSUED JULY 20, 2011)

TO: Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: David Horsley
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Allen Chan
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: William Ardell
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Bowland
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Hyde
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Edmund Mak
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: W. Judson Martin
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Simon Murray
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

- AND TO: Kai Kit Poon**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Peter Wang**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Garry West**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7
- AND TO: BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, China
- AND TO: Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052
PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9

830

4

67

- AND TO: RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8
- AND TO: Merrill Lynch Canada Inc.**
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8
- AND TO: Canaccord Financial Ltd.**
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1
- AND TO: Maison Placements Canada Inc.**
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5
- AND TO: Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, NY 10010
- AND TO: Banc of America Securities LLC**
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

TABLE OF CONTENTS

I.	Defined Terms	3
II.	Claim	11
III.	Overview	13
IV.	The Parties	18
	A. <i>The Plaintiffs</i>	18
	B. <i>The Defendants</i>	19
V.	The Offerings	30
VI.	The Misrepresentations	34
	A. <i>Misrepresentations relating to Sino's History and Fraudulent Origins</i>	35
	(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture	35
	(ii) Sino's Fictitious Investment in SJXT	39
	(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History	44
	B. <i>Misrepresentations relating to Sino's Forestry Assets</i>	46
	(i) Sino Overstates its Yunnan Forestry Assets	46
	(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname	47
	(iii) Sino overstates its Jiangxi Forestry Assets	50
	(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets	51
	C. <i>Misrepresentations relating to Sino's Related Party Transactions</i>	54
	(i) Related Party Transactions Generally	54
	(ii) Sino fails to disclose that Zhonggan was a Related Party	54
	(iii) Sino fails to disclose that Homix was a Related Party	55
	(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party	57

(v)	Sino fails to disclose that Yuda Wood was a Related Party.....	57
(vi)	Sino fails to Disclose that Major Suppliers were Related Parties.....	58
D.	<i>Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC</i>	59
E.	<i>Misrepresentations relating to Sino's Relationships with its AIs</i>	65
(i)	Sino Misrepresents the Degree of its Reliance on its AIs.....	65
(ii)	Sino Misrepresents the Tax-related Risks Arising from its use of AIs.....	66
(iii)	Sino Misrepresents its Accounting Treatment of its AIs	71
F.	<i>Misrepresentations relating to Sino's Cash Flow Statements</i>	72
G.	<i>Misrepresentations relating to Certain Risks to which Sino was exposed</i>	74
(i)	Sino is conducting "business activities" in China.....	74
(ii)	Sino fails to disclose that no proceeds were paid to it by its AIs.....	74
H.	<i>Misrepresentations relating to Sino's GAAP Compliance and the Auditors' GAAS Compliance</i>	76
(i)	Sino, Chan and Horsley misrepresent that Sino complied with GAAP.....	76
(ii)	E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS.....	83
(iii)	The Market Relied on Sino's Purported GAAP-compliance and E&Y's and BDO's purported GAAS-compliance in Sino's Financial Reporting.....	85
VII.	Chan's and Horsley's False Certifications.....	86
VIII.	The Truth Is Revealed.....	86
IX.	Sino Rewards Its Experts.....	100
X.	The Defendants' Relationship to the Class.....	101
XI.	The Plaintiffs' Causes of Action.....	104
A.	<i>Negligent Misrepresentation</i>	104
B.	<i>Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy</i>	105
(i)	Statutory Liability- Secondary Market under the Securities Legislation ..	105

(ii)	Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation.....	106
(iii)	Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation.....	107
(iv)	Negligence Simpliciter – Primary Market for Sino’s Securities.....	107
(v)	Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray	111
(vi)	Unjust Enrichment of Sino.....	112
(vi)	Unjust Enrichment of the Underwriters	112
(vii)	Oppression	113
(viii)	Conspiracy	115
XII.	The Relationship between Sino’s Disclosures and the Price of Sino’s Securities.....	119
XIII.	Vicarious Liability	120
A.	<i>Sino and the Individual Defendants</i>	120
B.	<i>E&Y</i>	121
C.	<i>BDO</i>	121
D.	<i>Pöyry</i>	121
E.	<i>The Underwriters</i>	122
XIV.	Real and Substantial Connection with Ontario.....	122
XV.	Service Outside of Ontario.....	123
XVI.	Relevant Legislation, Place of Trial, Jury Trial and Headings	123

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:

- (a) “AI” means Authorized Intermediary;

- (b) “**AIF**” means Annual Information Form;
- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Banc of America Securities LLC;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the Ontario *Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s Code of Business Conduct**;

- (p) “**CPA**” means the Ontario *Class Proceedings Act, 1992*, SO 1992, c 6, as amended;
- (q) “**Credit Suisse**” means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) “**Credit Suisse USA**” means the defendant Credit Suisse Securities (USA) LLC;
- (s) “**Defendants**” means **Sino, the Individual Defendants, Pöyry, BDO, E&Y and the Underwriters**;
- (t) “**December 2009 Offering Memorandum**” means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which Sino filed on SEDAR on December 11, 2009;
- (u) “**December 2009 Prospectus**” means Sino’s Final Short Form Prospectus, dated December 10, 2009, which Sino filed on SEDAR on December 11, 2009;
- (v) “**Dundee**” means the defendant Dundee Securities Corporation;
- (w) “**E&Y**” means the defendant, Ernst and Young LLP;
- (x) “**Excluded Persons**” means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;
- (y) “**Final Report**” means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) “**GAAP**” means Canadian generally accepted accounting principles;
- (aa) “**GAAS**” means Canadian generally accepted auditing standards;
- (bb) “**Horsley**” means the defendant David J. Horsley;
- (cc) “**Hyde**” means the defendant James M.E. Hyde;

(dd) **"Impugned Documents"** mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements (filed on **SEDAR** on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on **SEDAR** on March 19, 2007), 2006 AIF (filed on **SEDAR** on March 30, 2007), 2006 Annual MD&A (filed on **SEDAR** on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on **SEDAR** on May 4, 2007), Q1 2007 MD&A (filed on **SEDAR** on May 14, 2007), Q1 2007 Financial Statements (filed on **SEDAR** on May 14, 2007), **June 2007 Prospectus**, Q2 2007 MD&A (filed on **SEDAR** on August 13, 2007), Q2 2007 Financial Statements (filed on **SEDAR** on August 13, 2007), Q3 2007 MD&A (filed on **SEDAR** on November 12, 2007), Q3 2007 Financial Statements (filed on **SEDAR** on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on **SEDAR** on March 18, 2008), 2007 AIF (filed on **SEDAR** on March 28, 2008), 2007 Annual MD&A (filed on **SEDAR** on March 18, 2008), Amended 2007 Annual MD&A (filed on **SEDAR** on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on **SEDAR** on May 6, 2008), Q1 2008 MD&A (filed on **SEDAR** on May 13, 2008), Q1 2008 Financial Statements (filed on **SEDAR** on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 MD&A (filed on **SEDAR** on August 12, 2008), Q2 2008 Financial Statements (filed on **SEDAR** on August 12, 2008), Q3 2008 MD&A (filed on **SEDAR** on November 13, 2008), Q3 2008 Financial Statements (filed on **SEDAR** on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on **SEDAR** on March 16, 2009), 2008 Annual MD&A (filed on **SEDAR** on March 16, 2009), Amended 2008 Annual MD&A (filed on **SEDAR** on March 17, 2009), 2008 AIF (filed on **SEDAR** on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on **SEDAR** on May 4, 2009), Q1 2009 MD&A (filed on **SEDAR** on May 11, 2009), Q1 2009 Financial Statements (filed on **SEDAR** on May 11, 2009), **June 2009 Prospectus**, **June 2009 Offering Memorandum**, Q2 2009 MD&A (filed on **SEDAR** on August 10, 2009), Q2 2009 Financial Statements (filed on **SEDAR** on August 10, 2009), Q3 2009 MD&A (filed on **SEDAR** on November 12, 2009),

Q3 2009 Financial Statements (filed on **SEDAR** on November 12, 2009), **December 2009 Prospectus**, **December 2009 Offering Memorandum**, 2009 Annual **MD&A** (filed on **SEDAR** on March 16, 2010), 2009 Audited Annual Financial Statements (filed on **SEDAR** on March 16, 2010), 2009 **AIF** (filed on **SEDAR** on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on **SEDAR** on May 11, 2010), Q1 2010 **MD&A** (filed on **SEDAR** on May 12, 2010), Q1 2010 Financial Statements (filed on **SEDAR** on May 12, 2010), Q2 2010 **MD&A** (filed on **SEDAR** on August 10, 2010), Q2 2010 Financial Statements (filed on **SEDAR** on August 10, 2010), **October 2010 Offering Memorandum**, Q3 2010 **MD&A** (filed on **SEDAR** on November 10, 2010), Q3 2010 Financial Statements (filed on **SEDAR** on November 10, 2010), 2010 Annual **MD&A** (March 15, 2011), 2010 Audited Annual Financial Statements (filed on **SEDAR** on March 15, 2011), 2010 **AIF** (filed on **SEDAR** on March 31, 2011), and Management Information Circular dated May 2, 2011 (filed on **SEDAR** on May 10, 2011);

- (ee) **“Individual Defendants”** means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West**, collectively;
- (ff) **“July 2008 Offering Memorandum”** means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which Sino filed on **SEDAR** as a schedule to a material change report on July 25, 2008;
- (gg) **“June 2007 Prospectus”** means Sino’s Short Form Prospectus, dated June 5, 2007, which Sino filed on **SEDAR** on June 5, 2007;
- (hh) **“June 2009 Offering Memorandum”** means Sino’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which Sino filed on **SEDAR** as a schedule to a material change report on June 25, 2009;

- (ii) “**June 2009 Prospectus**” means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on **SEDAR** on June 1, 2009;
- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s **Securities** that occurred during the **Class Period** including the public offerings of Sino’s common shares pursuant to the **June 2007, June 2009** and **December 2009 Prospectuses**, as well as the offerings of Sino’s notes pursuant to **the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda**, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in

Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;

- (vv) “**Poon**” means the defendant Kai Kit Poon;
- (ww) “**Pöyry**” means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) “**PRC**” means the People’s Republic of China;
- (yy) “**Representation**” means the statement that Sino’s financial statements complied with **GAAP**;
- (zz) “**RBC**” means the defendant RBC Dominion Securities Inc.;
- (aaa) “**Scotia**” means the defendant Scotia Capital Inc.;
- (bbb) “**Second Report**” means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) “**Securities**” means Sino’s common shares, notes or other securities, as defined in the *OSA*;
- (ddd) “**Securities Legislation**” means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) “**SEDAR**” means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;

- (fff) **"Sino"** means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) **"TD"** means the defendant TD Securities Inc.;
- (hhh) **"TSX"** means the Toronto Stock Exchange;
- (iii) **"Underwriters"** means **Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD,** collectively;
- (jjj) **"Wang"** means the defendant Peter Wang;
- (kkk) **"West"** means the defendant Garry J. West; and
- (lll) **"WFOE"** means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

II. CLAIM

2. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;
- (b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;
- (c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;
- (d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;
- (e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;
- (f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of \$6.5 billion;
- (g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of \$175,835,000;
- (h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, E&Y, Dundee, Merrill, Credit Suisse, Scotia and TD, general damages in the sum of \$330,000,000;

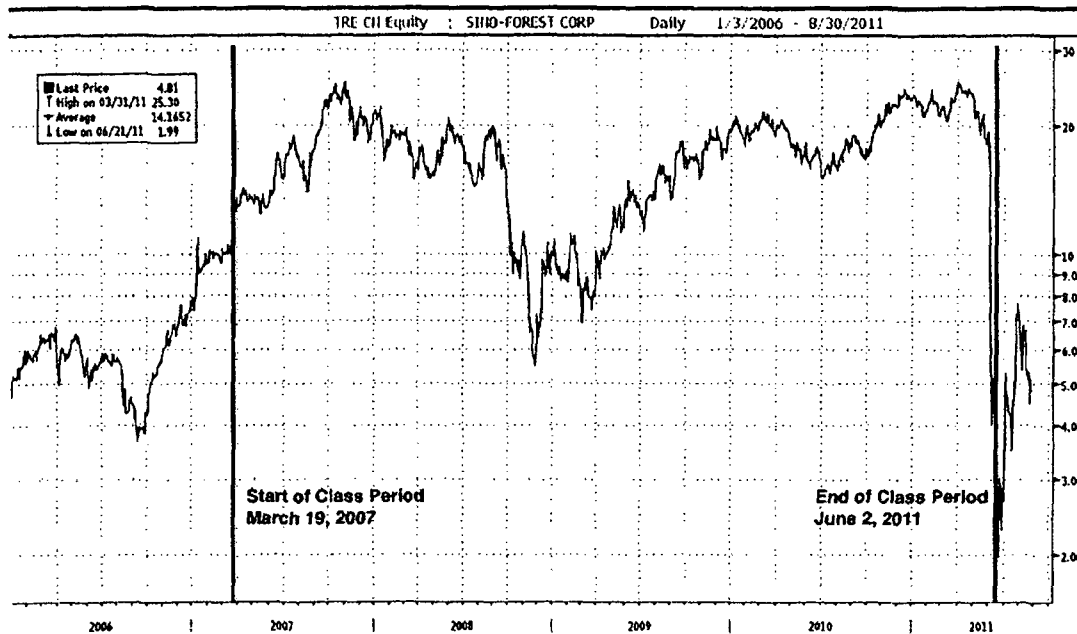
- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of \$319,200,000;
- (j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$345 million;
- (k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$400 million;
- (l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US\$460 million;
- (m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US\$600 million;

- (n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of \$50 million;
- (o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;
- (p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;
- (q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;
- (r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;
- (s) Prejudgment and post judgment interest;
- (t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (u) Such further and other relief as to this Honourable Court may seem just.

III. OVERVIEW

3. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere. Throughout that period, Sino has also claimed to have experienced breathtaking growth.

4. Beguiled by Sino's reported results, and by Sino's constant refrain that China constituted an extraordinary growth opportunity, investors drove Sino's stock price dramatically higher, as appears from the following chart:



5. The Defendants profited handsomely from the market's appetite for Sino's securities. Certain of the Individual Defendants sold Sino shares at lofty prices, and thereby reaped millions of dollars of gains. Sino's senior management also used Sino's illusory success to justify their lavish salaries, bonuses and other perks. For certain of the Individual Defendants, these outsized gains were not enough. Sino stock options granted to Chan, Horsley and other insiders were backdated or otherwise mispriced, prior to and during the Class Period, in violation of the TSX Rules, GAAP and the Securities Legislation.

6. Sino itself raised in excess of \$2.7 billion¹ in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

7. As a reporting issuer in Ontario and elsewhere, Sino was required at all material times to comply with GAAP. Indeed, Sino, BDO and E&Y, Sino's auditors during the Class Period and previously, repeatedly misrepresented that Sino's financial statements complied with GAAP. This was false.

8. On June 2, 2011, Muddy Waters, a short seller and research firm with extensive PRC experience, issued its first research report in relation to Sino, and unveiled the scale of the deception that had been worked upon the Class Members. Muddy Waters' initial report effectively revealed, among other things, that Sino had materially misstated its financial results, had falsely claimed to have acquired trees that it did not own, had reported sales that had not been made, or that had been made in a manner that did not permit Sino to book those sales as revenue under GAAP, and had concealed numerous related party transactions. These revelations had a catastrophic effect on Sino's stock price.

9. On June 1, 2011, prior to the publication of Muddy Waters' report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares fell to \$14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

10. On June 3, 2011, Sino announced that, in response to the allegations of Muddy Waters, its board had formed a committee, which Sino then falsely characterized as "independent" (the

¹ Dollar figures are in Canadian dollars (unless otherwise indicated) and are rounded for convenience.

"Independent Committee" or "IC"), to examine and review the allegations contained in the Muddy Waters' report of June 2, 2011. The initial members of the IC were the Defendants Ardell, Bowland and Hyde. The IC subsequently retained legal, accounting and other advisers to assist it in the fulfillment of its mandate.

11. On August 26, 2011, the OSC issued a cease-trade order in respect of Sino's securities, alleging that Sino appeared to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino's revenue and/or exaggerated some of its timber holdings, and that Sino and certain of its officers and directors, including Chan, appeared to be engaging or participating in acts, practices or a course of conduct related to Sino's securities which they (or any of them) knew or ought reasonably know would perpetuate a fraud.

12. On November 13, 2011, the IC released the Second Report. Therein, the IC revealed, *inter alia*, that: (1) Sino's management had failed to cooperate in numerous important respects with the IC's investigation; (2) "there is a risk" that certain of Sino's operations "taken as a whole" were in violation of PRC law; (3) Sino adopted processes that "avoid[] Chinese foreign exchange controls which must be complied with in a normal cross-border sale and purchase transaction, and [which] could present an obstacle to future repatriation of sales proceeds, and could have tax implications as well"; (4) the IC "has not been able to verify that any relevant income taxes and VAT have been paid by or on behalf of the BVIs in China"; (5) Sino lacked proof of title to the vast majority of its purported holdings of standing timber; (6) Sino's "transaction volumes with a number of AI and Suppliers do not match the revenue reported by such Suppliers in their SAIC filing"; (7) "[n]one of the BVI timber purchase contracts have as

attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by the Company; and (8) “[t]here are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials.”

13. On January 31, 2012, the IC released its Final Report. Therein, the IC effectively revealed that, despite having conducted an investigation over nearly eight months, and despite the expenditure of US\$50 million on that investigation, it had failed to refute, or even to provide plausible answers to, key allegations made by Muddy Waters:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC’s conclusions regarding its examination and review. The IC’s activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company’s Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.

[...]

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions

14. Sino failed to meet the standards required of a public company in Canada. Aided by its auditors and the Underwriters, Sino raised billions of dollars from investors on the false premise that they were investing in a well managed, ethical and GAAP-compliant corporation. They

were not. Accordingly, this action is brought to recover the Class Members' losses from those who caused them: the Defendants.

IV. THE PARTIES

A. *The Plaintiffs*

15. Labourers are the trustees of the Labourers' Pension Fund of Central and Eastern Canada, a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in assets, over 39,000 members and over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related.

16. Operating Engineers are the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 Offering Memorandum and in the distribution to which that Offering Memorandum related. Grant continued to hold those Notes at the end of the Class Period.

19. Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related, and continued to own those shares at the end of the Class Period.

B. *The Defendants*

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:

- (a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
- (b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
- (c) contemporaneously with each of the above, a MD&A of each of the above financial statements; and
- (d) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future.

24. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.

25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US\$3.0 million, US\$3.8 million, US\$5.0 million, US\$7.6 million and US\$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of \$10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of \$11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US\$1.1 million, US\$1.4 million, US\$1.7 million, US\$2.5 million, and US\$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of \$34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of \$474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of \$6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of \$9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of \$2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs of investors and creditors" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.

59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately \$7.5 million, \$14.0 million and \$14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US\$2.2 million, US\$8.5 million and \$US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of \$2.7 billion from investors during the Class Period. In particular:

- (a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of \$12.65 per share for gross proceeds of \$201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;
- (b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US\$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;
- (c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of \$11.00 per share for gross proceeds of \$379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

- (d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US\$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;
- (e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US\$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

- (f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the "Prospectuses") pursuant to which Sino distributed to the public 21,850,000 common shares at a price of \$16.80 per share for gross proceeds of \$367,080,000. The December 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;
- (g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD\$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD\$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD\$187,187,000 in aggregate principal amount of Sino's existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and
- (h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US\$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors' report of E&Y dated March 15, 2010 with respect to Sino's Annual Financial Statements for 2008 and 2009; and (3) Sino's unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.

64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have received the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

VI. THE MISREPRESENTATIONS

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

- A. Sino's history and fraudulent origins;
- B. Sino's forestry assets;
- C. Sino's related party transactions;

- D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;
 - E. Sino's relationships with its "Authorized Intermediaries;"
 - F. Sino's cash flows;
 - G. Certain risks to which Sino was exposed; and
 - H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.
- A. *Misrepresentations relating to Sino's History and Fraudulent Origins*
- (i) *Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture*
71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("**Leizhou**"). The stated purpose of Leizhou, established in 1994, was:
- Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m³ of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m³.
72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("EJV") and cooperating joint ventures ("CJV"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have "phased-in." Leizhou was the key driver of Sino's purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US\$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US\$11.3 million, US\$23.9 million and US\$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28th January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29th January in the same year. It has been 4 years since the registration and we set out the situation as follows:

I. Information of the investment of both sides

- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20th June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16th March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30th January 1996. In accordance with the notice, the foreign party then on 10th April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20th December the same year. On 14th May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14th May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11th June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30th June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29th January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30th April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

II. *The Joint Venture is not capable of attaining substantial operation*

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

The \$14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

(ii) *Sino's Fictitious Investment in SJXT*

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "1997 Financial Statements"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("SJXT"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as "Shanghai Jin Xiang Timber Ltd." While an entity called "Shanghai Jin Xiang Timber Wholesale Market" does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately US\$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US\$1.0 million. In Sino's balance sheet as at December 31, 1997, the SJXT investment was shown as an asset of \$1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m³ of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate "significant revenue" for Sino-Forest amounting to approximately \$40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino's total reported revenues in 1998 were \$92.7 million.

84. In Sino's Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the "1998 Financial Statements"), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total

investment in SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately \$1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US\$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SJXT investment was again shown as an asset of US\$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US\$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising. Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.

The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.

The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.

[...]

The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.

[Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the "Agency Agreement with SJXT [is] expected to generate approximately \$40 million over 18 months."

88. In Sino's Annual Report for 1999, Sino stated:

There are also promising growth opportunities as Sino-Forest's investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops. The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.

Sino-Forest's investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company's lumber and wood products trading business.

[Emphasis added.]

89. In Sino's MD&A for the year ended December 31, 1999, Sino also stated that:

Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999. Lumber and wood products trading on an agency basis has increased 35% from \$2.3 million in 1998 to \$3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately \$1.8 million of fees earned from a new customer.

[Emphasis added.]

90. That same MD&A, however, also states that "The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999*" (emphasis added).

91. In Sino's Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the "1999 Financial Statements"), Sino stated:

During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of \$868,000* [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of \$278,000* as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%*. The principal activity of SJXT is to organize trading of timber and logs in the PRC market.

[Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of \$1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, \$796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of \$796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "2000 Financial Statements"), Sino stated:

In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of \$868,000 [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of \$278,000 as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of \$796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of \$519,000, being the sum of Sino's purported SJXT investment of \$1,315,000 as at December 31, 1999, and the \$796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interest therein.

(iii) *Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History*

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by

the Code, which touted the "high standards of ethical conduct, in both words and actions", of Sino's senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

102. Similarly, the June 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

103. Finally, the December 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the

Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

B. *Misrepresentations relating to Sino's Forestry Assets*

(i) Sino Overstates its Yunnan Forestry Assets

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US\$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("**Sino-Panel**"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("**Gengma Forestry**") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US\$700 million to US\$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("Greenheart").

110. In August 2010, Greenheart issued an aggregate principal amount of US\$25,000,000 convertible notes for gross proceeds of US\$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname

312,000 hectares now under Greenheart management

Hong Kong, March 1, 2011 – Greenheart Group Limited (“Greenheart” or “the Company”) (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. (“Vista”), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart’s concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*

Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

[Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.*

[Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries.

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino overstates its Jiangxi Forestry Assets

119. On June 11, 2009, Sino issued a press release in which it stated:

Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.

Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m³) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m³, to the extent permitted under the relevant PRC laws and regulations. ***The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares*** to achieve an estimated average wood fibre yield of approximately 100 m³ per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.

In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("**Zhonggan**") for US\$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US\$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

- (a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US\$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;
- (b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;
- (c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the

area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,” provided figures and tables regarding Yunnan, stated that “Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest,” stated that “the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha” and that “[a]lmost 97% of the broadleaf forest is in Yunnan,” and provided a detailed discussion of Sino’s Yunnan “holdings” at Appendixes 3 and 4. Pöyry’s 2010 Valuations were incorporated in Sino’s 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

- (d) In a “Summary Valuation Report” regarding “Valuation of Purchased Forest Crops as at 31 December 2010” and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that “[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces” and that “[a]nalysis of [Sino’s] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,” and stated that “[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;” and
- (e) In a press release titled “Summary of Sino-Forest’s China Forest Asset 2010 Valuation Reports” and which was “jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports,” Pöyry reported on Sino’s “holdings” and estimated the market value of Sino’s forest assets on the 754,816 ha to be approximately US\$3.1 billion as at December 31, 2010.

C. *Misrepresentations relating to Sino's Related Party Transactions*

(i) *Related Party Transactions Generally*

124. Under GAAP and GAAS, a "related party" exists "when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other." (CICA Handbook 3840.03) Examples include a parent-subsidiary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm's length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary "sells" an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm's length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

(ii) *Sino fails to disclose that Zhonggan was a Related Party*

127. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino fails to disclose that Homix was a Related Party

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited (“Homix”), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US\$7.1 million. That press release stated:

HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.

[...]

Mr. Allen Chan, Sino-Forest’s Chairman & CEO, said, “As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("Jiangsu")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

HOMIX acquisition

In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for \$7.1 million. This corporate acquisition is small but strategically important *adding valuable intellectual property rights* and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. *Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture.* Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a

variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

(v) Sino fails to disclose that Yuda Wood was a Related Party

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("Yuda Wood"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *“there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood’s RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)”* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

(vi) Sino fails to Disclose that Major Suppliers were Related Parties

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino’s purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC*

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officials, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

- (a) In the 2008 AIF: "*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management, and we are in the process of applying for the plantation rights*

certificates for those plantations for which we have not obtained such certificates” [emphasis added];

- (b) In the 2009 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added]; and
- (c) In the 2010 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries (“BVIs”) in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

- (a) In the July 2008 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (b) In the June 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (c) In the October 2010 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (d) In the 2006 AIF, Sino stated “Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (e) In the 2007 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (f) In the 2008 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations”;

- (g) In the 2009 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”;
- (h) In the December 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”; and
- (i) In the 2010 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations.”

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that *“in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred”* [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the “Notice on the Implementation of Nationwide Uniform Plantation Right Certificates” (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the “Notice”). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*

[Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

- (a) In the 2006 AIF: “In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*” [emphasis added]; and
- (b) In the 2007 AIF: “For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*” [emphasis added]

E. Misrepresentations relating to Sino's Relationships with its AIs

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with its AIs.

(i) Sino Misrepresents the Degree of its Reliance on its AIs

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. ***In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.***

[Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) *Sino Misrepresents the Tax-related Risks Arising from its use of AIs*

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties maybe also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US\$10 million to US\$150 million, US\$50 million to US\$260 million, US\$81 million to US\$371 million, and US\$83 million to US\$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

- (a) In the 2006 Annual Financial Statements, note 11 [b] "Provision for tax related liabilities" and associated text;
- (b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (c) In the AIF dated March 30, 2007, the section "Estimation of the Company's provision for income and related taxes," and associated text;
- (d) In the Q1 and Q2 2007 Financial Statements, note 5 "Provision for Tax Related Liabilities," and associated text;
- (e) In the Q3 2007 Financial Statements, note 6 "Provision for Tax Related Liabilities," and associated text;
- (f) In the 2007 Annual Financial Statements, note 13 [b] "Provision for tax related liabilities," and associated text;
- (g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (h) In the AIF dated March 28, 2008, the section "Estimation of the Corporation's provision for income and related taxes," and associated text;
- (i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 "Provision for Tax Related Liabilities," and associated text;
- (j) In the Q1, Q2 and Q3 2008 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (k) In the July 2008 Offering Memorandum, the subsection "Taxation" in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," and associated text;

- (l) In the 2008 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;
- (m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (n) In the AIF dated March 31, 2009, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 "Provision for Tax Related Liabilities," and associated text;
- (p) In the Q1, Q2 and Q3 2009 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (q) In the 2009 Annual Financial Statements, note 15 [d] "Provision for tax related liabilities," and associated text;
- (r) In the 2009 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (s) In the AIF dated March 31, 2010, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (t) In the Q1 and Q2 2010 Financial Statements, note 14 "Provision for Tax Related Liabilities," and associated text;
- (u) In the Q1 and Q2 2010 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

- (v) In the Q3 2010 Financial Statements, note 14 "Provision and Contingencies for Tax Related Liabilities," and associated text; and
- (w) In the Q3 2010 MD&As, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (x) In the October 2010 Offering Memorandum, the subsection "Taxation" in the section "Selected Financial Information," and associated text;
- (y) In the 2010 Annual Financial Statements, note 18 "Provision and Contingencies for Tax Related Liabilities," and associated text;
- (z) In the 2010 Annual MD&A, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text; and
- (aa) In the AIF dated March 31, 2011, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text.

171. In every Impugned Document that is a financial statement, the line item "Accounts payable and accrued liabilities" and associated figures on the Consolidated Balance Sheets fails to properly account for Sino's tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US\$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

(iii) *Sino Misrepresents its Accounting Treatment of its AIs*

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. *Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.*

[Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. *Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.*

[Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions. This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

F. *Misrepresentations relating to Sino's Cash Flow Statements*

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory": cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material

overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

G. Misrepresentations relating to Certain Risks to which Sino was exposed

(i) Sino is conducting "business activities" in China

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

(ii) Sino fails to disclose that no proceeds were paid to it by its AIs

187. In the Second Report, Sino belatedly revealed that:

In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. ***No proceeds are directly paid to the Company, either onshore or offshore.***

[Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

- (a) In the 2005 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities" [emphasis added];
- (b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (c) In the 2006 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added];
- (d) In the 2007 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;"
- (e) In the 2008 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added];
- (f) In the 2009 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added]; and

- (g) In the 2010 financial statements, Sino stated: "As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi" [emphasis added].

H. *Misrepresentations relating to Sino's GAAP Compliance and the Auditors' GAAS Compliance*

- (i) *Sino, Chan and Horsley misrepresent that Sino complied with GAAP*

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007, at Note 1: "These consolidated financial statements Sino-Forest Corporation (the "Company") have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles";
- (b) In the annual financial statements filed on March 18, 2008, at Note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles";
- (c) In the annual financial statements filed on March 16, 2009, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles";

- (d) In the annual financial statements filed on March 16, 2010, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles"; and
- (e) In the annual financial statements filed on March 15, 2011, at note 1: "The consolidated financial statements of Sino-Forest Corporation (the "Company") have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles".

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

- (a) In the annual MD&A filed on March 19, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (b) In the quarterly MD&A filed on May 14, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (c) In the quarterly MD&A filed on August 13, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (d) In the quarterly MD&A filed on November 12, 2007: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";

- (e) In the annual MD&A filed on March 18, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (f) In the amended annual MD&A filed on March 28, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (g) In the quarterly MD&A filed on May 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (h) In the quarterly MD&A filed on August 12, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (i) In the quarterly MD&A filed on November 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (j) In the annual MD&A filed on March 16, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (k) In the amended annual MD&A filed on March 17, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (l) In the quarterly MD&A filed on May 11, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (m) In the quarterly MD&A filed on August 10, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

- (n) In the quarterly MD&A filed on November 12, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");
 - (o) In the annual MD&A files on March 16, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");
 - (p) In the quarterly MD&A filed on May 12, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");
 - (q) In the quarterly MD&A filed on August 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");
 - (r) In the quarterly MD&A filed on November 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP"); and
 - (s) In the annual MD&A filed on March 15, 2011: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")."
193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.
194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:
- (a) In the July 2008 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") [...]" "Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada” and “Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]”;

- (b) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP”;
- (c) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada” and “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP”; and
- (d) In the October 2010 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-

month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP.”

195. In the Class Period Management’s Reports, Chan and Horsley represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management’s Reports that Sino’s financial statements were GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (d) In the annual financial statements filed on March 16, 2010 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles.”

(ii) *E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS*

197. In each of Sino’s Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino’s financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

- (a) In Sino’s annual financial statements filed on March 19, 2007, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (b) In the June 2007 Prospectus, BDO stated: “We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents”;
- (c) In Sino’s annual financial statements filed on March 18, 2008, E&Y stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007”;

- (d) In the July 2008 Offering Memorandum, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles” and E&Y stated “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles”;
- (e) In Sino’s annual financial statements filed on March 16, 2009, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (f) In Sino’s annual financial statements filed on March 16, 2010, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles”; and

- (g) In Sino’s annual financial statements filed on March 15, 2011, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards.” and “In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.”

(iii) *The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting*

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino’s auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino’s financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino’s securities on the critical premise that Sino’s financial statements were in fact GAAP-compliant, and that Sino’s auditors had in fact conducted their audits in compliance with GAAS. Sino’s reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino’s purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino’s securities.

201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

VIII. THE TRUTH IS REVEALED

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE's default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE's fraud is a convoluted structure whereby it claims to run most of its revenues through "authorized intermediaries" ("AI"). AIs are supposedly timber trader customers who purportedly pay much of TRE's value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.

The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

[...]

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006 [...]

[...]

Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

205. Muddy Waters' report also disclosed that (a) Sino's business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters' initial report became public, Sino shares fell to \$14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of \$18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

Timber Ownership

[...]

The Company does not obtain registered title to BVI purchased plantations. In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. ***The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved with the Suppliers in a manner satisfactory to the Company.***

Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. ***Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.*** In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers. The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained. It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, *these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.*

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. *However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.* We note also that the independent valuation referred to in Part VIII below has not yet been completed.

Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, *the IC was unable to review any documentation of AIs or Suppliers which independently verified movements*

of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.

Relationships

• Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities).* Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*

• Other: The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.

• Accounting Considerations: *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute "business activities" within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking "business activities" within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

(a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register*; and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes*;
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities: *many third parties explained their reluctance to provide requested documentation and information as being "for tax reasons" but declined to elaborate;* and

- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships.* The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company's business and in relation to North American practices; including:

- *incomplete or inadequate record creation and retention practices;*
- contracts not maintained in a central location;
- significant volumes of data maintained across multiple locations on decentralized servers;
- *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;*
- no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- *no internal audit function* although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- *SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses* which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: *The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.*

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. *In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.* In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: *The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.* The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the

forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. *The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.*

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. the IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. *That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:*

- *book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited*
- *recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.*

A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. *However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.* At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. *While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.* It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) *Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.*

(iii) Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.

(iv) Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. *As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.*

1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. *As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.* The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of

obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

(a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. *The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.*

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

(b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14, as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. *Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.*

3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. *The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.*

4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid \$163,623 by Sino in 2010, \$115,962 in 2009, \$57,000 in 2008 and \$55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total \$712,000 in 2008, \$1,225,000 in 2009 and \$992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.

216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

XI. THE PLAINTIFFS' CAUSES OF ACTION

A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy*

(i) Statutory Liability—Secondary Market under the Securities Legislation

231. The Plaintiffs plead the claim found in Part XXIII.1 of the OSA, and, if required, the equivalent sections of the Securities Legislation other than the OSA, against all Defendants except the Underwriters.

232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a "Core Document" within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

235. Sino is a reporting issuer within the meaning of the Securities Legislation.

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

(ii) Statutory Liability – Primary Market for Sino's Shares under the Securities Legislation

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

(iii) *Statutory Liability – Primary Market for Sino's Notes under the Securities Legislation*

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino's notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

(iv) *Negligence Simpliciter – Primary Market for Sino's Securities*

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the "**Primary Market Defendants**") acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.

254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) *Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray*

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

(vi) *Unjust Enrichment of Sino*

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

(vi) *Unjust Enrichment of the Underwriters*

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

(vii) Oppression

274. The Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's

best interests and, in turn, in the interests of its security holders. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

- (a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;
- (b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;
- (d) Sino and the Individual Defendants would not make the misrepresentations particularized above;
- (e) Sino stock options would not be backdated or otherwise mispriced; and
- (f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

- (a) Sino did not comply with GAAP;
- (b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino's corporate governance procedures and internal controls were inadequate;
- (d) the misrepresentations particularized above were made;
- (e) stock options were backdated and/or otherwise mispriced; and
- (f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders. The value of the shareholders' investments was based on, among other things:

- (a) the profitability of Sino;
- (b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;
- (c) Sino's compliance with its disclosure obligations;
- (d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and
- (e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

(viii) Conspiracy

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "Conspirators") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

- (a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;
- (b) artificially increase the value of the securities they held; and
- (c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

- (a) they agreed to, and did, make the Representation, which they knew was false;
- (b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;
- (c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;
- (d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and
- (e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

- (a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;
- (b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and
- (c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

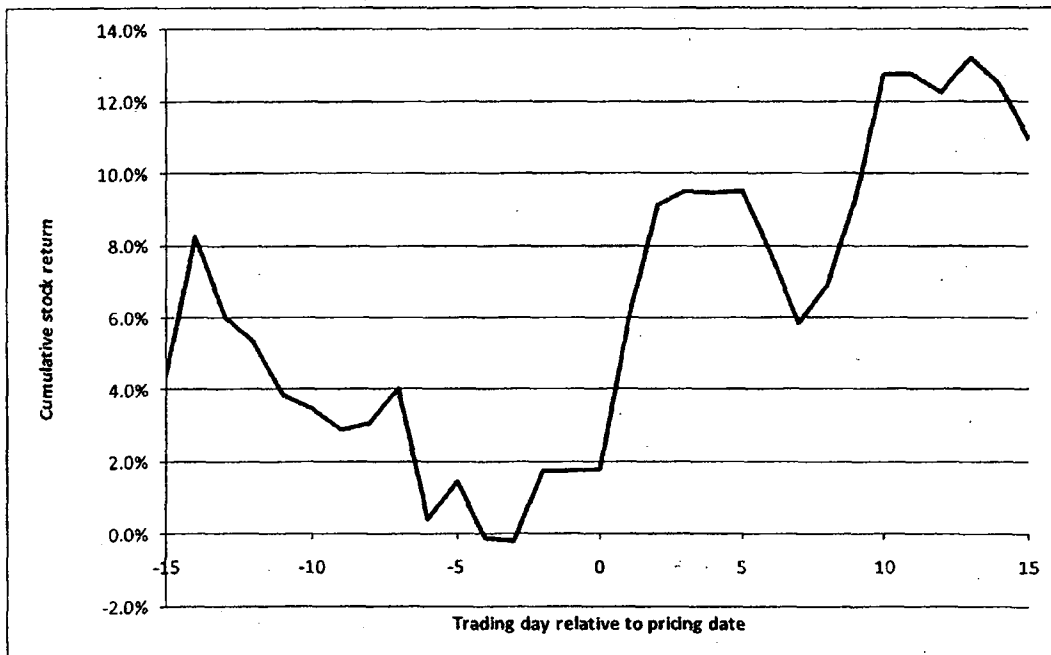
285. At all material times, the Sino Option Plan (the "Plan") prohibited in-the-money options.

286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX

Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the OSA, the Securities Legislation other than the OSA, the Code, the rules and requirements of the TSX (the "TSX Rules") and the CBCA. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino's securities.

290. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

XII. THE RELATIONSHIP BETWEEN SINO'S DISCLOSURES AND THE PRICE OF SINO'S SECURITIES

291. The price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino's disclosure documents upon the price of its Sino's securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

XIII. VICARIOUS LIABILITY

A. *Sino and the Individual Defendants*

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

B. E&Y

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

C. BDO

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

D. Pöyry

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

305. The acts or omissions particularized and alleged in this Claim to have been done by Pöry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöry.

E. *The Underwriters*

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

308. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

- (a) Sino is a reporting issuer in Ontario;
- (b) Sino's shares trade on the TSX which is located in Toronto, Ontario;
- (c) Sino's registered office and principal business office is in Mississauga, Ontario;
- (d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario;

- (f) Sino carries on business in Ontario; and
- (g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

XV. SERVICE OUTSIDE OF ONTARIO

309. The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the Rules of Civil Procedure, because this claim is:

- (a) a claim in respect of personal property in Ontario (para 17.02(a));
- (b) a claim in respect of damage sustained in Ontario (para 17.02(h));
- (c) a claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and
- (d) a claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and
- (e) a claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

311. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

January 26, 2012

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754
Michael G. Robb (LSUC#: 45787G)
Tel: 519.660.7872
Fax: 519.660.7873

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3
Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903

Lawyers for the Plaintiffs

Trustees of the Labourers' Pension Fund of Central and Eastern Canada,
et al.

Plaintiffs

and

Sino-Forest Corporation,
et al.

Defendants

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754
Michael G. Robb (LSUC#: 45787G)
Tel: 519.660.7872
Fax: 519.660.7873


Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903
Lawyers for the Plaintiffs

954

190

This is Exhibit "C" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)





Sino-Forest Announces Resignation of Director

TORONTO, CANADA – November 4, 2011 - Sino-Forest Corporation (the "Company") (TSX:TRE) today announced James Bowland has resigned as a director. Mr. Bowland joined the Board in February, 2011 and was a member of the Independent Committee, the Audit Committee and the Compensation and Nominating Committee. The Company would like to thank Mr. Bowland for his contributions to the Company.

About Sino-Forest Corporation

Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. Sino-Forest also holds a majority interest in Greenheart Group Limited (HKSE:00094), a Hong-Kong listed investment holding company with assets in Suriname (South America) and New Zealand and involved in sustainable harvesting, processing and sales of its logs and lumber to China and other markets around the world. Sino-Forest's common shares have been listed on the Toronto Stock Exchange under the symbol TRE since 1995. Learn more at www.sinoforest.com.

Cautionary note: No stock exchange or regulatory authority has approved or disapproved of information contained herein.

FOR FURTHER INFORMATION PLEASE CONTACT:

BRUNSWICK GROUP LIMITED

Email: sinoforest@brunswickgroup.com

New York

Cindy Leggett-Flynn

Stan Neve

Tel: +1 212 333 3810


Hong Kong

Tim Payne

Joseph Lo

Tel: +852 3512 5000

This is Exhibit "D" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



CITATION: Smith v Sino-Forest Corporation, 2012 ONSC24
COURT FILE NO.: 11-CV-428238CP
COURT FILE NO.: 11-CV-431153CP
COURT FILE NO.: 11-CV-435826CP
DATE: January 6, 2012

**ONTARIO
 SUPERIOR COURT OF JUSTICE**

BETWEEN:

Douglas Smith and Zhongjun Goa

Plaintiffs

- and -

Sino-Forest Corporation, Allen T.Y. Chan, James M.E. Hyde, Edmund Mak, W. Judson Martin, Simon Murray, Peter D.H. Wang, David J. Horsley, Ernst & Young LLP, BDO Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada, Inc., Canaccord Financial Ltd., and Maison Placements Canada Inc.

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AND BETWEEN:

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada and the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario

Plaintiffs

- and -

Sino-Forest Corporation, Ernst & Young LLP, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, Kai Kit Poon, David J. Horsley, James P Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada, Inc. Canaccord Financial Ltd., and Maison Placements Canada Inc.

Defendants

Proceeding under the *Class Proceedings Act, 1992*



AND BETWEEN:

**Northwest & Ethical Investments L.P., Comité Syndical National de Retraite
Bâtirente Inc.**

Plaintiffs

- and -

**Sino-Forest Corporation, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon,
David J. Horsley, Hua Chen, Wei Mao Zhao, Alfred C.T. Hung, Albert Ip, George
Ho, Thomas M. Maradin, William E. Ardell, James M.E. Hyde, Simon Murray,
Garry J. West, James P. Bowland, Edmund Mak, Peter Wang, Kee Y. Wong, The
Estate of John Lawrence, Simon Yeung, Ernst & Young LLP, BDO Limited,
Pöyry Forest Industry PTE Limited, Pöyry (Beijing) Consulting Company
Limited, JP Management Consulting (Asia-Pacific) PTE Ltd., Dundee Securities
Corporation, UBS Securities Canada Inc., Haywood Securities Inc., Credit Suisse
Securities (Canada), Inc., TD Securities Inc., RBC Dominion Securities Inc., Scotia
Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada, Inc. Canaccord
Financial Ltd., Maison Placements Canada Inc., Morgan Stanley & Co.
Incorporated, Credit Suisse Securities (USA), LLC, Merrill Lynch, Pierce, Fenner
& Smith, Inc.**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

COUNSEL:

- J.P. Rochon, J. Archibald, and S. Tambakos for the Plaintiffs in 11-CV-428238CP
- K.M. Baert, J. Bida, and C.M. Wright for the Plaintiffs in 11-CV-431153CP
- J.C. Orr, V. Paris, N. Mizobuchi, and A. Erfan for the Plaintiffs in 11-CV-435826CP
- M. Eizenga for the defendant Sino-Forest Corporation
- P. Osborne and S. Roy for the defendant Ernst & Young LLP
- E. Cole for the defendant Allen T.Y. Chan
- J. Fabello for the defendant underwriters

HEARING DATES: December 20 and 21, 2011

PERELL, J.

REASONS FOR DECISION**A. INTRODUCTION**

[1] This is a carriage motion under the *Class Proceedings Act, 1992*, S.O. 1992, c. 6. In this particular carriage motion, four law firms are rivals for the carriage of a class action against Sino-Forest Corporation. There are currently four proposed Ontario class

actions against Sino-Forest to recover losses alleged to be in the billions of dollars arising from the spectacular crash in value of its shares and notes.

[2] Practically speaking, carriage motions involve two steps. First, the rival law firms that are seeking carriage of a class action extoll their own merits as class counsel and the merits of their client as the representative plaintiff. During this step, the law firms explain their tactical and strategic plans for the class action, and, thus, a carriage motion has aspects of being a casting call or rehearsal for the certification motion.

[3] Second, the rival law firms submit that with their talent and their litigation plan, their class action is the better way to serve the best interests of the class members, and, thus, the court should choose their action as the one to go forward. No doubt to the delight of the defendants and the defendants' lawyers, which have a watching brief, the second step also involves the rivals hardheartedly and toughly reviewing and criticizing each other's work and pointing out flaws, disadvantages, and weaknesses in their rivals' plans for suing the defendants.

[4] The law firms seeking carriage are: Rochon Genova LLP; Koskie Minsky LLP; Siskinds LLP; and Kim Orr Barristers P.C., all competent, experienced, and veteran class action law firms.

[5] For the purposes of deciding the carriage motions, I will assume that all of the rivals have delivered their Statements of Claim as they propose to amend them.

[6] Koskie Minsky and Siskinds propose to act as co-counsel and to consolidate two of the actions. Thus, the competition for carriage is between three proposed class actions; namely:

- *Smith v. Sino-Forest Corp.* (11-CV-428238CP) ("*Smith v. Sino-Forest*") with Rochon Genova as Class Counsel
- *The Trustees of Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corp.* (11-CV-431153CP) ("*Labourers v. Sino-Forest*") with Koskie Minsky and Siskinds as Class Counsel (This action would be consolidated with "*Grant v. Sino-Forest*" (CV-11-439400-00CP))
- *Northwest & Ethical Investments L.P. v. Sino-Forest Corp.* (11-CV-435826CP) ("*Northwest v. Sino-Forest*") with Kim Orr as Class Counsel.

[7] It has been a very difficult decision to reach, but for the reasons that follow, I stay *Smith v. Sino-Forest* and *Northwest v. Sino-Forest*, and I grant carriage to Koskie Minsky and Siskinds in *Labourers v. Sino-Forest*.

[8] I also grant leave to the plaintiffs in *Labourers v. Sino-Forest* to deliver a Fresh as Amended Statement of Claim, which may include the joinder of the plaintiffs and the causes of action set out in *Grant v. Sino-Forest*, *Smith v. Sino-Forest*, and *Northwest v. Sino-Forest*, as the plaintiffs may be advised.

[9] This order is without prejudice to the rights of the Defendants to challenge the Fresh as Amended Statement of Claim as they may be advised. In any event, nothing in

these reasons is intended to make findings of fact or law binding on the Defendants or to be a pre-determination of the certification motion.

B. METHODOLOGY

[10] To explain my reasons, first, I will describe the jurisprudence about carriage motions. Second, I will describe the evidentiary record for the carriage motions. Third, I will describe the factual background to the claims against Sino-Forest, which is the principal but not the only target of the various class actions. Fourth, deferring my ultimate conclusions, I will analyze the rival actions that are competing for carriage under twelve headings and describe the positions and competing arguments of the law firms competing for carriage. Fifth, I will culminate the analysis of the competing actions by explaining the carriage order decision. Sixth and finally, I will finish with a concluding section.

[11] Thus, the organization of these Reasons for Decision is as follows:

- Introduction
- Methodology
- Carriage Orders Jurisprudence
- Evidentiary Background
- Factual Background to the Claims against Sino-Forest
- Analysis of the Competing Class Actions
 - The Attributes of Class Counsel
 - Retainer, Legal and Forensic Resources, and Investigations
 - Proposed Representative Plaintiffs
 - Funding
 - Conflicts of Interest
 - Definition of Class Membership
 - Definition of Class Period
 - Theory of the Case against the Defendants
 - Joinder of Defendants
 - Causes of Action
 - The Plaintiff and the Defendant Correlation
 - Prospects of Certification
- Carriage Order
 - Introduction
 - Neutral or Non-Determinative Factors
 - Determinative Factors
- Conclusion

C. CARRIAGE ORDERS JURISPRUDENCE

[12] There should not be two or more class actions that proceed in respect of the same putative class asserting the same cause(s) of action, and one action must be selected: *Vitapharm Canada Ltd. v. F. Hoffman-Laroche Ltd.*, [2000] O.J. No. 4594

(S.C.J.) at para. 14. See also *Vitapharm Canada Ltd. v. F. Hoffmann-La Roche Ltd.*, [2001] O.J. No. 3682 (S.C.J.), aff'd [2002] O.J. No. 2010 (C.A.). When counsel have not agreed to consolidate and coordinate their actions, the court will usually select one and stay all other actions: *Lau v. Bayview Landmark*, [2004] O.J. No. 2788 (S.C.J.) at para. 19.

[13] Where two or more class proceedings are brought with respect to the same subject matter, a proposed representative plaintiff in one action may bring a carriage motion to stay all other present or future class proceedings relating to the same subject matter: *Settingington v. Merck Frosst Canada Ltd.*, [2006] O.J. No. 376 (S.C.J.) at paras. 9-11; *Ricardo v. Air Transat A.T. Inc.*, [2002] O.J. No. 1090 (S.C.J.), leave to appeal dismissed [2002] O.J. No. 2122 (S.C.J.).

[14] The *Class Proceedings Act, 1992*, confers upon the court a broad discretion to manage the proceedings. Section 13 of the Act authorizes the court to “stay any proceeding related to the class proceeding,” and s. 12 authorizes the court to “make any order it considers appropriate respecting the conduct of a class proceeding to ensure its fair and expeditious determination.” Section 138 of the *Courts of Justice Act*, R.S.O. 1990, c. 43 directs that “as far as possible, multiplicity of legal proceedings shall be avoided.” See: *Settingington v. Merck Frosst Canada Ltd.*, *supra*, at paras. 9-11.

[15] The court also has its normal jurisdiction under the *Rules of Civil Procedure*. Section 35 of the *Class Proceedings Act, 1992*, provides that the rules of court apply to class proceedings. Among the rules that are available is Rule 6, the rule that empowers the court to consolidate two or more proceedings or to order that they be heard together.

[16] In determining carriage of a class proceeding, the court’s objective is to make the selection that is in the best interests of class members, while at the same time being fair to the defendants and being consistent with the objectives of the *Class Proceedings Act, 1992*: *Vitapharm Canada Ltd. v. F. Hoffman-La Roche Ltd.*, [2000] O.J. No. 4594 (S.C.J.) at para. 48; *Settingington v. Merck Frosst Canada Ltd.*, *supra*, at para. 13 (S.C.J.); *Sharma v. Timminco Ltd.* (2009), 99 O.R. (3d) 260 (S.C.J.) at para. 14. The objectives of a class proceeding are access to justice, behaviour modification, and judicial economy for the parties and for the administration of justice.

[17] Courts generally consider seven non-exhaustive factors in determining which action should proceed: (1) the nature and scope of the causes of action advanced; (2) the theories advanced by counsel as being supportive of the claims advanced; (3) the state of each class action, including preparation; (4) the number, size and extent of involvement of the proposed representative plaintiffs; (5) the relative priority of the commencement of the class actions; (6) the resources and experience of counsel; and (7) the presence of any conflicts of interest: *Sharma v. Timminco Ltd.*, *supra* at para. 17.

[18] In these reasons, I will examine the above factors under somewhat differently-named headings and in a different order and combination. And, I will add several more factors that the parties made relevant to the circumstances of the competing actions in the cases at bar, including: (a) funding; (b) definition of class membership; (c) definition of class period; (d) joinder of defendants; (e) the plaintiff and defendant correlation; and, (f) prospects of certification.

[19] In addition to identifying relevant factors, the carriage motion jurisprudence provides guidance about how the court should determine carriage. Although the determination of a carriage motion will decide which counsel will represent the plaintiff, the task of the court is not to choose between different counsel according to their relative resources and expertise; rather, it is to determine which of the competing actions is more, or most, likely to advance the interests of the class: *Tiboni v. Merck Frosst Canada Ltd.*, [2008] O.J. No. 2996 (S.C.J.), sub. nom *Mignacca v. Merck Frosst Canada Ltd.*, leave to appeal granted [2008] O.J. No. 4731 (S.C.J.), aff'd [2009] O.J. No. 821 (Div. Ct.), application for leave to appeal to C.A. ref'd May 15, 2009, application for leave to appeal to S.C.C. ref'd [2009] S.C.C.A. No. 261.

[20] On a carriage motion, it is inappropriate for the court to embark upon an analysis as to which claim is most likely to succeed unless one is "fanciful or frivolous": *Setterington v. Merck Frosst Canada Ltd.*, *supra*, at para. 19.

[21] In analysing whether the prohibition against a multiplicity of proceedings would be offended, it is not necessary that the multiple proceedings be identical or mirror each other in every respect; rather, the court will look at the essence of the proceedings and their similarities: *Setterington v. Merck Frosst Canada Ltd.*, *supra*, at para. 11.

[22] Where there is a competition for carriage of a class proceeding, the circumstance that one competitor joins more defendants is not determinative; rather, what is important is the rationale for the joinder and whether or not it is advantageous for the class to join the additional defendants: *Joel v. Menu Foods Gen-Par Limited*, [2007] B.C.J. No. 2159 (B.C.S.C.); *Genier v. CCI Capital Canada Ltd.*, [2005] O.J. No. 1135 (S.C.J.); *Setterington v. Merck Frosst Canada Ltd.*, *supra*.

[23] In determining which firm should be granted carriage of a class action, the court may consider whether there is any potential conflict of interest if carriage is given to one counsel as opposed to others: *Joel v. Menu Foods Gen-Par Limited*, *supra* at para. 16; *Vitapharm Canada Ltd. v. F. Hoffman-Laroche Ltd.*, [2000] O.J. No. 4594 (S.C.J.) and [2001] O.J. No. 3673 (S.C.J.).

D. EVIDENTIARY BACKGROUND

Smith v. Sino-Forest

[24] In support of its carriage motion in *Smith v. Sino-Forest*, Rochon Genova delivered affidavits from:

- Ken Froese, who is Senior Managing Director of Froese Forensic Partners Ltd., a forensic accounting firm
- Vincent Genova, who is the managing partner of Rochon Genova
- Douglas Smith, the proposed representative plaintiff

Labourers v. Sino-Forest

[25] In support of their carriage motion in *Labourers v. Sino-Forest*, Koskie Minsky and Siskinds delivered affidavits from:

- Dimitri Lascaris, who is a partner at Siskinds and the leader of its class action team
- Michael Gallagher, who is the Chair of the Board of Trustees of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario (“Operating Engineers Fund”), a proposed representative plaintiff
- David Grant, a proposed representative plaintiff
- Richard Grottheim, who is the Chief Executive Officer of Sjunde AP-Fonden, a proposed representative plaintiff
- Joseph Mancinelli, who is the Chair of the Board of Trustees of The Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“Labourers’ Fund”), a proposed representative plaintiff. He also holds senior positions with the Labourers International Union of North America, which has more than 80,000 members in Canada
- Ronald Queck, who is Director of Investments of the Healthcare Employee Benefits Plans of Manitoba (“Healthcare Manitoba”), which would be a prominent class member in the proposed class action
- Frank Torchio, who is a chartered financial analyst and an expert in finance and economics who was retained to opine, among other things, about the damages suffered under various proposed class periods by Sino-Forest shareholders and noteholders under s. 138.5 of the *Ontario Securities Act*
- Robert Wong, who is a proposed representative plaintiff
- Mark Zigler, who is the managing partner of Koskie Minsky

Northwest v. Sino-Forest

[26] In support of its carriage motion in *Northwest v. Sino-Forest*, Kim Orr delivered affidavits from:

- Megan B. McPhee, a principal of the firm
- John Mountain, who is the Senior Vice President, Legal and Human Resources, the Chief Compliance Officer and Corporate Secretary of Northwest Ethical Investments L.P. (“Northwest”), a proposed representative plaintiff
- Zachary Nye, a financial economist who was retained to respond to Mr. Torchio’s opinion
- Daniel Simard, who is General Co-Ordinator and a non-voting ex-officio member of the Board of Directors and Committees of Comité syndical national de retraite Bâtirente inc. (“Bâtirente”), a proposed representative plaintiff
- Michael C. Spencer, a lawyer qualified to practice in New York, California, and Ontario, who is counsel to Kim Orr and a partner and member of the executive committee at the American law firm of Milberg LLP

- Brian Thomson, who is Vice-President, Equity Investments for British Columbia Investment Management Corporation (“BC Investment”), a proposed representative plaintiff

E. FACTUAL BACKGROUND TO THE CLAIMS AGAINST SINO-FOREST

[27] The following factual background is largely an amalgam made from the unproven allegations in the Statements of Claim in the three proposed class actions and unproven allegations in the motion material delivered by the parties.

[28] The Defendant, Sino-Forest is a Canadian public company incorporated under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 with its registered office in Mississauga, Ontario, and its head office in Hong Kong. Its shares have traded on the Toronto Stock Exchange (“TSX”) since 1995. It is a forestry plantation company with operations centered in the People’s Republic of China. Its trading of securities is subject to the regulation of the *Ontario Securities Act*, R.S.O. 1990, c. S.5, under which it is a “reporting issuer” subject to the continuous disclosure provisions of Part XVIII of the Act and a “responsible issue” subject to civil liability for secondary market misrepresentation under Part XXIII.1 of the Act.

[29] The Defendant, Ernst & Young LLP (“E&Y”) has been Sino-Forest’s auditor from 1994 to date, except for 1999, when the now-defunct Arthur Andersen LLP did the audit, and 2005 and 2006, when the predecessor of what is now the Defendant, BDO Limited (“BDO”) was Sino-Forest’s auditor. BDO is the Hong Kong member of BDO International Ltd., a global accounting and audit firm.

[30] E&Y and BDO are “experts” within the meaning of s. 138.1 of the *Ontario Securities Act*.

[31] From 1996 to 2010, in its financial statements, Sino-Forest reported only profits, and it appeared to be an enormously successful enterprise that substantially outperformed its competitors in the forestry industry. Sino-Forest’s 2010 Annual Report issued in May 2011 reported that Sino-Forest had net income of \$395 million and assets of \$5.7 billion. Its year-end market capitalization was \$5.7 billion with approximately 246 million common shares outstanding.

[32] It is alleged that Sino-Forest and its auditors E&Y and BDO repeatedly misrepresented that Sino-Forest’s financial statements complied with GAAP (“generally accepted accounting principles”).

[33] It is alleged that Sino-Forest and its officers and directors made other misrepresentations about the assets, liabilities, and performance of Sino-Forest in various filings required under the *Ontario Securities Act*. It is alleged that these misrepresentations appeared in the documents used for the offerings of shares and bonds in the primary market and again in what are known as Core Documents under securities legislation, which documents are available to provide information to purchasers of shares and bonds in the secondary market. It is also alleged that misrepresentations were made in oral statements and in Non-Core Documents.

[34] The Defendant, Allen T.Y. Chan was Sino-Forest's co-founder, its CEO, and a director until August 2011. He resides in Hong Kong.

[35] The Defendant, Kai Kit Poon, was Sino-Forest's co-founder, a director from 1994 until 2009, and Sino-Forest's President. He resides in Hong Kong.

[36] The Defendant, David J. Horsley was a Sino-Forest director (from 2004 to 2006) and was its CFO. He resides in Ontario.

[37] The Defendants, William E. Ardell (resident of Ontario, director since 2010), James P. Bowland (resident of Ontario, director since 2011), James M.E. Hyde (resident of Ontario, director since 2004), John Lawrence (resident of Ontario, deceased, director 1997 to 2006), Edmund Mak (resident of British Columbia, director since 1994), W. Judson Martin (resident of Hong Kong, director since 2006, CEO since August 2011), Simon Murray (resident of Hong Kong, director since 1999), Peter Wang (resident of Hong Kong, director since 2007) and Garry J. West (resident of Ontario, director since 2011) were members of Sino-Forest's Board of Directors.

[38] The Defendants, Hua Chen (resident of Ontario), George Ho (resident of China), Alfred C.T. Hung (resident of China), Alfred Ip (resident of China), Thomas M. Maradin (resident of Ontario), Simon Yeung (resident of China) and Wei Mao Zhao (resident of Ontario) are vice presidents of Sino-Forest. The defendant Kee Y. Wong was CFO from 1999 to 2005.

[39] Sino-Forest's forestry assets were valued by the Defendant, Pöyry (Beijing) Consulting Company Limited, ("Pöyry"), a consulting firm based in Shanghai, China. Associated with Pöyry are the Defendants, Pöyry Forest Industry PTE Limited ("Pöyry-Forest") and JP Management Consulting (Asia-Pacific) PTE Ltd. ("JP Management"). Each Pöyry Defendant is an expert as defined by s. 138.1 of the *Ontario Securities Act*.

[40] Pöyry prepared technical reports dated March 8, 2006, March 15, 2007, March 14, 2008, April 1, 2009, and April 23, 2010 that were filed with SEDAR (the System of Electronic Document Analysis and Retrieval) and made available on Sino-Forest's website. The reports contained a disclaimer and a limited liability exculpatory provision purporting to protect Pöyry from liability.

[41] In China, the state owns the forests, but the Chinese government grants forestry rights to local farmers, who may sell their lumber rights to forestry companies, like Sino-Forest. Under Chinese law, Sino-Forest was obliged to maintain a 1:1 ratio between lands for forest harvesting and lands for forest replantation.

[42] Sino-Forest's business model involved numerous subsidiaries and the use of authorized intermediaries or "AIs" to assemble forestry rights from local farmers. Sino-Forest also used authorized intermediaries to purchase forestry products. There were numerous AIs, and by 2010, Sino-Forest had over 150 subsidiaries, 58 of which were formed in the British Virgin Islands and at least 40 of which were incorporated in China.

[43] It is alleged that from at least March 2003, Sino-Forest used its business model and non-arm's length AIs to falsify revenues and to facilitate the misappropriation of Sino-Forest's assets.

[44] It is alleged that from at least March 2004, Sino-Forest made false statements about the nature of its business, assets, revenue, profitability, future prospects, and compliance with the laws of Canada and China. It is alleged that Sino-Forest and other Defendants misrepresented that Sino-Forest's financial statements complied with GAPP ("generally accepted accounting principles"). It is alleged that Sino-Forest misrepresented that it was an honest and reputable corporate citizen. It is alleged that Sino-Forest misrepresented and greatly exaggerated the nature and extent of its forestry rights and its compliance with Chinese forestry regulations. It is alleged that Sino-Forest inflated its revenue, had questionable accounting practices, and failed to pay a substantial VAT liability. It is alleged that Sino-Forest and other Defendants misrepresented the role of the AIs and greatly understated the risks of Sino-Forest utilizing them. It is alleged that Sino-Forest materially understated the tax-related risks from the use of AIs in China, where tax evasion penalties are severe and potentially devastating.

[45] Starting in 2004, Sino-Forest began a program of debt and equity financing. It amassed over \$2.1 billion from note offerings and over \$906 million from share issues.

[46] On May 17, 2004, Sino-Forest filed its Annual Information Form for the 2003 year. It is alleged in *Smith v. Sino-Forest* that the 2003 AIF contains the first misrepresentation in respect of the nature and role of the authorized intermediaries, which allegedly played a foundational role in the misappropriation of Sino-Forest's assets.

[47] In August 2004, Sino-Forest issued an offering memorandum for the distribution of 9.125% guaranteed senior notes (\$300 million (U.S.)). The Defendant, Morgan Stanley & Co. Incorporated ("Morgan") was a note distributor that managed the note offering in 2004 and purchased and resold notes.

[48] Under the Sino-Forest note instruments, in the event of default, the trustee may sue to collect payment of the notes. A noteholder, however, may not pursue any remedy with respect to the notes unless, among other things, written notice is given to the trustee by holders of 25% of the outstanding principal asking the trustee to pursue the remedy and the trustee does not comply with the request. The notes provide that no noteholder shall obtain a preference or priority over another noteholder. The notes contain a waiver and release of Sino-Forest's directors, officers, and shareholders from all liability "for the payment of the principal of, or interest on, or other amounts in respect of the notes or for any claim based thereon or otherwise in respect thereof." The notes are all governed by New York law and include non-exclusive attornment clauses to the jurisdiction of New York State and United States federal courts.

[49] On March 19, 2007, Sino-Forest announced its 2006 financial results. The appearance of positive results caused a substantial increase in its share price which moved from \$10.10 per share to \$13.42 per share ten days later, a 33% increase.

[50] In May 2007, Sino-Forest filed a Management Information Circular that represented that it maintained a high standard of corporate governance. It indicated that its Board of Directors made compliance with high governance standards a top priority.

[51] In June 2007, Sino-Forest made a share prospectus offering of 15.9 million common shares at \$12.65 per share (\$201 million offering). Chan, Horsley, Martin, and Hyde signed the prospectus. The underwriters (as defined by s. 1. (1) of the *Ontario Securities Act*) were the Defendants, CIBC World Markets Inc. ("CIBC"), Credit Suisse Securities Canada (Inc.) ("Credit Suisse"), Dundee Securities Corporation ("Dundee"), Haywood Securities Inc. ("Haywood"), Merrill Lynch Canada, Inc. ("Merrill") and UBS Securities Canada Inc. ("UBS").

[52] In July 2008, Sino-Forest issued a final offering memorandum for the distribution of 5% convertible notes (\$345 million (U.S)) due 2013. The Defendants, Credit Suisse Securities (USA), LLC ("Credit Suisse (USA)"), and Merrill Lynch, Fenner & Smith Inc. ("Merrill-Fenner") were note distributors.

[53] In June 2009, Sino-Forest made a share prospectus offering of 34.5 million common shares at \$11.00 per share (\$380 million offering). Chan, Horsley, Martin, and Hyde signed the prospectus. The underwriters (as defined by s. 1. (1) of the *Ontario Securities Act*) were Credit Suisse, Dundee, Merrill, the Defendant, Scotia Capital Inc. ("Scotia"), and the Defendant, TD Securities Inc. ("TD").

[54] In June 2009, Sino-Forest issued a final offering memorandum for the exchange of senior notes for new guaranteed senior 10.25% notes (\$212 million (U.S.) offering) due 2014. Credit Suisse (USA) was the note distributor.

[55] In December 2009, Sino-Forest made a share prospectus offering of 22 million common shares at \$16.80 per share (\$367 million offering). Chan, Horsley, Martin, and Hyde signed the prospectus. The underwriters (as defined by s. 1. (1) of the *Ontario Securities Act*) were Credit Suisse, the Defendant, Canaccord Financial Ltd. ("Canaccord"), CIBC, Dundee, the Defendant, Maison Placements Canada Inc. ("Maison"), Merrill, the Defendant, RBC Dominion Securities Inc. ("RBC"), Scotia, and TD.

[56] In December 2009, Sino-Forest issued an offering memorandum for 4.25% convertible senior notes (\$460 million (U.S.) offering) due 2016. The note distributors were Credit Suisse (USA), Merrill-Fenner, and TD.

[57] In October 2010, Sino-Forest issued an offering memorandum for 6.25% guaranteed senior notes (\$600 million (U.S.) offering) due 2017. The note distributors were Banc of America Securities LLC ("Banc of America") and Credit Suisse USA.

[58] Sino-Forest's per-share market price reached a high of \$25.30 on March 31, 2011.

[59] It is alleged that all the financial statements, prospectuses, offering memoranda, MD&As (Management Discussion and Analysis), AIFs (Annual Information Forms) contained misrepresentations and failures to fully, fairly, and plainly disclose all

material facts relating to the securities of Sino-Forest, including misrepresentations about Sino-Forest's assets, its revenues, its business activities, and its liabilities.

[60] On June 2, 2011, Muddy Waters Research, a Hong Kong investment firm that researches Chinese businesses, released a research report about Sino-Forest. Muddy Waters is operated by Carson Block, its sole full-time employee. Mr. Block was a short-seller of Sino-Forest stock. His Report alleged that Sino-Forest massively exaggerates its assets and that it had engaged in extensive related-party transactions since the company's TSX listing in 1995. The Report asserted, among other allegations, that a company-reported sale of \$231 million in timber in Yunnan Province was largely fabricated. It asserted that Sino-Forest had overstated its standing timber purchases in Yunnan Province by over \$800 million.

[61] The revelations in the Muddy Waters Report had a catastrophic effect on Sino-Forest's share price. Within two days, \$3 billion of market capitalization was gone and the market value of Sino-Forest's notes plummeted.

[62] Following the release of the Muddy Waters Report, Sino-Forest and certain of its officers and directors released documents and press releases and made public oral statements in an effort to refute the allegations in the Report. Sino-Forest promised to produce documentation to counter the allegations of misrepresentations. It appointed an Independent Committee of Messrs. Ardell, Bowland and Hyde to investigate the allegations contained in the Muddy Waters Report. After these assurances, Sino-Forest's share price rebounded, trading as high as 60% of its previous day's close, eventually closing on June 6, 2011 at \$6.16, approximately 18% higher from its previous close.

[63] On June 7, the Independent Committee announced that it had appointed PricewaterhouseCoopers ("PWC") to assist with the investigation. Several law firms were also hired to assist in the investigation.

[64] However, bad news followed. Reporters from the *Globe and Mail* travelled to China, and on June 18 and 20, 2011, the newspaper published articles that reported that Yunnan Province forestry officials had stated that their records contradicted Sino-Forest's claim that it controlled almost 200,000 hectares in Yunnan Province.

[65] On August 26, 2011, the Ontario Securities Commission ("OSC") issued an order suspending trading in Sino-Forest's securities and stated that: (a) Sino-Forest appears to have engaged in significant non-arm's length transactions that may have been contrary to Ontario securities laws and the public interest; (b) Sino-Forest and certain of its officers and directors appear to have misrepresented in a material respect, some of its revenue and/or exaggerated some of its timber holdings in public filings under the securities laws; and (c) Sino-Forest and certain of its officers and directors, including its CEO, appear to be engaging or participating in acts, practices or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud.

[66] The OSC named Chan, Ho, Hung, Ip, and Yeung as respondents in the proceedings before the Commission. Sino-Forest placed Messrs. Hung, Ho and Yeung on administrative leave. Mr. Ip may only act on the instructions of the CEO.

[67] Having already downgraded its credit rating for Sino-Forest's securities, Standard & Poor withdrew its rating entirely, and Moody's reduced its rating to "junk" indicating a very high credit risk.

[68] On September 8, 2011, after a hearing, the OSC continued its cease-trading order until January 25, 2012, and the OSC noted the presence of evidence of conduct that may be harmful to investors and the public interest.

[69] On November 10, 2011, articles in the *Globe and Mail* and the *National Post* reported that the RCMP had commenced a criminal investigation into whether executives of Sino-Forest had defrauded Canadian investors.

[70] On November 13, 2011, at a cost of \$35 million, Sino-Forest's Independent Committee released its Second Interim Report, which included the work of the committee members, PWC, and three law firms. The Report refuted some of the allegations made in the Muddy Waters Report but indicated that evidence could not be obtained to refute other allegations. The Committee reported that it did not detect widespread fraud, and noted that due to challenges it faced, including resistance from some company insiders, it was not able to reach firm conclusions on many issues.

[71] On December 12, 2011, Sino-Forest announced that it would not file its third-quarter earnings' figures and would default on an upcoming interest payment on outstanding notes. This default may lead to the bankruptcy of Sino-Forest.

[72] The chart attached as Schedule "A" to this judgment shows Sino-Forest's stock price on the TSX from January 1, 2004, to the date that its shares were cease-traded on August 26, 2011.

F. ANALYSIS OF THE COMPETING CLASS ACTIONS

1. The Attributes of Class Counsel

Smith v. Sino-Forest

[73] Rochon Genova is a boutique litigation firm in Toronto focusing primarily on class action litigation, including securities class actions. It is currently class counsel in the CIDC subprime litigation, which seeks billions in damages on behalf of CIBC shareholders for the bank's alleged non-disclosure of its exposure to the U.S. subprime residential mortgage market. It is currently the lawyer of record in *Fischer v. IG Investment Management Ltd* and *Frank v. Farlie Turner*, both securities cases, and it is acting for aggrieved investors in litigation involving two multi-million dollar Ponzi schemes. It acted on behalf of Canadian shareholders in relation to the Nortel securities litigation, as well as, large scale products liability class actions involving Baycol, Prepulsid, and Maple Leaf Foods, among many other cases.

[74] Rochon Genova has a working arrangement with Lieff Cabrasser Heimann & Bernstein, one of the United States' leading class action firms.

[75] Lead lawyers for *Smith v. Sino-Forest* are Joel Rochon and Peter Jervis, both senior lawyers with considerable experience and proficiency in class actions and securities litigation.

Labourers v. Sino-Forest

[76] Koskie Minsky is a Toronto law firm of 43 lawyers with a diverse practice including bankruptcy and insolvency, commercial litigation, corporate and securities, taxation, employment, labour, pension and benefits, professional negligence and insurance litigation.

[77] Koskie Minsky has a well-established and prominent class actions practice, having been counsel in every sort of class proceeding, several of them being landmark cases, including *Hollick v Toronto (City)*, *Cloud v The Attorney General of Canada*, and *Caputo v Imperial Tobacco*. It is currently representative counsel on behalf of all former Canadian employees in the multi-billion dollar Nortel insolvency.

[78] Siskinds is a London and Toronto law firm of 70 lawyers with a diverse practice including bankruptcy and insolvency, business law, and commercial litigation. It has an association with the Québec law firm Siskinds, Desmeules, avocats.

[79] At its London office, Siskinds has a team of 14 lawyers that focus their practice on class actions, in some instances exclusively. The firm has a long and distinguished history at the class actions bar, being class counsel in the first action certified as a class action, *Bendall v. McGhan Medical Corp.* (1993), 14 O.R. (3d) 734, and it has almost a monopoly on securities class actions, having filed approximately 40 of this species of class actions, including 24 that advance claims under Part XXX.1 of the *Ontario Securities Act*.

[80] As mentioned again later, for the purposes of *Labourers' Fund v. Sino-Forest*, Koskie Minsky and Siskinds have a co-operative arrangement with the U.S. law firm, Kessler Topaz Meltzer & Check LLP ("Kessler Topaz"), which is a 113-lawyer law firm specializing in complex litigation with a very high profile and excellent reputation as counsel in securities class action lawsuits in the United States.

[81] Lead lawyers for *Labourers' v. Sino-Forest* are Kirk M. Baert, Jonathan Ptak, Mark Ziegler, and Michael Mazzuca of Koskie Minsky and A. Dimitri Lascaris of Siskinds, all senior lawyers with considerable experience and proficiency in class actions and securities litigation.

Northwest v. Sino-Forest

[82] Kim Orr is a boutique litigation firm in Toronto focusing primarily on class action litigation, including securities class actions. It also has considerable experience on the defence side of defending securities cases.

[83] As I described in *Sharma v. Timminco Ltd.*, *supra*, where I choose Kim Orr in a carriage competition with Siskinds in a securities class action, Kim Orr has a fine pedigree as a class action firm and its senior lawyers have considerable experience and proficiency in all types of class actions. It was comparatively modest in its self-promotional material for the carriage motion, but I am aware that it is currently class

counsel in substantial class actions involving claims of a similar nature to those in the case at bar.

[84] Kim Orr has an association with Milberg, LLP, a prominent class action law firm in the United States. It has 75 attorneys, most of whom devote their practice to representing plaintiffs in complex litigations, including class and derivative actions. It has a large support staff, including investigators, a forensic accountant, financial analysts, legal assistants, litigation support analysts, shareholder services personnel, and information technology specialists.

[85] Michael Spencer, who is a partner at Milberg and called to the bar in Ontario, offers counsel to Kim Orr.

[86] Lead lawyers for *Northwest v. Sino-Forest* are James Orr, Won Kim, and Mr. Spencer.

2. Retainer, Legal and Forensic Resources, and Investigations

Smith v. Sino-Forest

[87] Following the release of the Muddy Waters Report, on June 6, 2011, Mr. Smith contacted Rochon Genova. Mr. Smith, who lost much of his investment fortune, was one of the victims of the wrongs allegedly committed by Sino-Forest. Rochon Genova accepted the retainer, and two days later, a notice of action was issued. The Statement of Claim in *Smith v. Sino-Forest* followed on July 8, 2011.

[88] Following their retainer by Mr. Smith, Rochon Genova hired Mr. X (his name was not disclosed), as a consultant. Mr. X, who has an accounting background, can fluently read, write, and speak English, Cantonese, and Mandarin. He travelled to China from June 19 to July 3, 2011 and again from October 31 to November 18, 2011. The purpose of the trips was to gather information about Sino-Forest's subsidiaries, its customers, and its suppliers. While in China, Mr. X secured approximately 20,000 pages of filings by Sino-Forest with the provincial branches of China's State Administration for Industry and Commerce (the "SAIC Files").

[89] In August 2011, Rochon Genova retained Froese Forensic Partners Ltd., a Toronto-based forensic accounting firm, to analyze the SAIC files.

[90] Rochon Genova also retained HAIBU Attorneys at Law, a full service law firm based in Shenzhen, Guangdong Province, China, to provide a preliminary opinion about Sino-Forest's alleged violations of Chinese accounting and taxation laws.

[91] Exclusive of the carriage motion, Rochon Genova has already incurred approximately \$350,000 in time and disbursements for the proposed class action.

Labourers v. Sino-Forest

[92] On June 3, 2011, the day after the release of the Muddy Waters Report, Siskinds retained the Dacheng Law Firm in China to begin an investigation of the allegations contained in the report. Dacheng is the largest law firm in China with offices throughout China and Hong Kong and also offices in Los Angeles, New York, Paris, Singapore, and Taiwan.

[93] On June 9, 2011, Guining Liu, a Sino-Forest shareholder, commenced an action in the Québec Superior Court on behalf of persons or entities domiciled in Québec who purchased shares and notes. Siskinds' Québec affiliate office, Siskinds, Desmeules, avocats, is acting as class counsel in that action.

[94] On June 20, 2011, Koskie Minsky, which had a long standing lawyer-client relationship with the Labourers' Fund, was retained by it to recover its losses associated with the plummet in value of its holdings in Sino-Forest shares. Koskie Minsky issued a notice of action in a proposed class action with Labourers' Fund as the proposed representative plaintiffs.

[95] The June action, however, is not being pursued, and in July 2011, Labourers' Fund was advised that Operating Engineers Fund, another pension fund, also had very significant losses, and the two funds decided to retain Koskie Minsky and Siskinds to commence a new action, which followed on July 20, 2011, by notice of action. The Statement of Claim in *Labourers v. Sino-Forest* was served in August, 2011.

[96] Before commencing the new action, Koskie Minsky and Siskinds retained private investigators in Southeast Asia and received reports from them, along with information received from the Dacheng Law Firm. Koskie Minsky and Siskinds also received information from an unnamed expert in Suriname about the operations of Sino-Forest in Suriname and the role of Greenheart Group Ltd., which is a significant aspect of its Statement of Claim in *Labourers v. Sino-Forest*.

[97] On November 4, 2011, Koskie Minsky and Siskinds served the Defendants in *Labourers v. Sino-Forest* with the notice of motion for an order granting leave to assert the causes of action under Part XXIII.1 of the *Ontario Securities Act*.

[98] On October 26, 2011, Robert Wong, who had lost a very large personal investment in Sino-Forest shares, retained Koskie Minsky and Siskinds to sue Sino-Forest for his losses, and the firms decided that he would become another representative plaintiff.

[99] On November 14, 2011, Koskie Minsky and Siskinds commenced *Grant v. Sino-Forest Corp.*, which, as already noted above, they intend to consolidate with *Labourers v. Sino-Forest*.

[100] *Grant v. Sino-Forest* names the same defendants as in *Labourers v. Sino-Forest*, except for the additional joinder of Messrs. Bowland, Poon, and West, and it also joins as defendants, BDO, and two additional underwriters, Banc of America and Credit Suisse Securities (USA).

[101] Koskie Minsky and Siskinds state that *Grant v. Sino-Forest* was commenced out of an abundance of caution to ensure that certain prospectus and offering memorandum claims under the *Ontario Securities Act*, and under the equivalent legislation of the other Provinces, will not expire as being statute-barred.

[102] Exclusive of the carriage motion, Koskie Minsky has already incurred approximately \$350,000 in time and disbursements for the proposed class action, and

exclusive of the carriage motion, Siskinds has already incurred approximately \$440,000 in time and disbursements for the proposed class action.

Northwest v. Sino-Forest

[103] Immediately following the release of the Muddy Waters Report, Kim Orr and Milberg together began an investigation to determine whether an investor class action would be warranted. A joint press release on June 7, 2011, announced the investigation.

[104] For the purposes of the carriage motion, apart from saying that their investigation included reviewing all the documents on SEDAR and the System for Electronic Disclosure for Insiders (SEDI), communicating with contacts in the financial industry, and looking into Sino-Forest's officers, directors, auditors, underwriters and valuation experts, Kim Orr did not disclose the details of its investigation. It did indicate that it had hired a Chinese forensic investigator and financial analyst, a market and damage consulting firm, Canadian forensic accountants, and an investment and market analyst and that its investigations discovered valuable information.

[105] Meanwhile, lawyers at Milberg contacted Bâtirente, which was one of its clients and also a Sino-Forest shareholder, and Won Kim of Kim Orr contacted Northwest, another Sino-Forest shareholder. Bâtirente already had a retainer with Milberg to monitor its investment portfolio on an ongoing basis to detect losses due to possible securities violations.

[106] Northwest and Bâtirente agreed to retain Kim Orr to commence a class action, and on September 26, 2011, Kim Orr commenced *Northwest v. Sino-Forest*.

[107] In October 2011, BC Investments contacted Kim Orr about the possibility of it becoming a plaintiff in the class proceeding commenced by Northwest and Bâtirente, and BC Investments decided to retain the firm and the plan is that BC Investments is to become another representative plaintiff.

[108] Exclusive of the carriage motion, Kim Orr and Milberg have already incurred approximately \$1,070,000 in time and disbursement for the proposed class action.

3. Proposed Representative Plaintiffs

Smith v. Sino-Forest

[109] In *Smith v. Sino-Forest*, the proposed representative plaintiffs are Douglas Smith and Frederick Collins.

[110] Douglas Smith is a resident of Ontario, who acquired approximately 9,000 shares of Sino-Forest during the proposed class period. He is married, 48 years of age, and employed as a director of sales. He describes himself as a moderately sophisticated investor that invested in Sino-Forest based on his review of the publicly available information, including public reports and filings, press releases, and statements released by or on behalf of Sino-Forest. He lost \$75,345, which was half of his investment fortune.

[111] Frederick Collins is a resident of Nanaimo, British Columbia. He purchased shares in the primary market. His willingness to act as a representative plaintiff was

announced during the reply argument of the second day of the carriage motion, and nothing was discussed about his background other than he is similar to Mr. Smith in being an individual investor. He was introduced to address a possible *Ragoonanan* problem in *Smith v. Sino-Forest*; namely, the absence of a plaintiff who purchased in the primary market, of which alleged problem I will have more to say about below.

Labourers v. Sino-Forest

[112] In *Labourers v. Sino-Forest*, the proposed representative plaintiffs are: David Grant, Robert Wong, The Trustees of the Labourers' Pension Fund of Central and Eastern Canada ("Labourers' Fund"), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario ("Operating Engineers Fund"), and Sjunde AP-Fonden.

[113] David Grant is a resident of Alberta. On October 21, 2010, he purchased 100 Guaranteed Senior Notes of Sino-Forest at a price of \$101.50 (U.S.), which he continues to hold.

[114] Robert Wong, a resident of Ontario, is an electrical engineer. He was born in China, and in addition to speaking English, he speaks fluent Cantonese. He was a substantial shareholder of Sino-Forest from July 2002 to June 2011. Before making his investment, he reviewed Sino-Forest's Core Documents, and he also made his own investigations, including visiting Sino-Forest's plantations in China in 2005, where he met a Sino-Forest vice-president.

[115] Mr. Wong's investment in Sino-Forest comprised much of his net worth. In September 2008, he owned 1.4 million Sino-Forest shares with a value of approximately \$26.1 million. He purchased more shares in the December 2009 prospectus offering. Around the end of May 2011, he owned 518,700 shares, which, after the publication of the Muddy Waters Report, he sold on June 3, 2011 and June 10, 2011, for \$2.8 million.

[116] The Labourers' Fund is a multi-employer pension fund for employees in the construction industry. It is registered with the Financial Services Commission in Ontario and has 52,100 members in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. It is a long-time client of Koskie Minsky.

[117] Labourers' Fund manages more than \$2.5 billion in assets. It has a fiduciary and statutory responsibility to invest pension monies on behalf of thousands of employees and pensioners in Ontario and in other provinces.

[118] Labourer's Fund acted as representative plaintiff in a U.S. class actions against Fortis, Pitney Bowes Inc., Synovus Financial Corp., and Medea Health Solutions, Inc. Those actions involved allegations of misrepresentation in the statements and filings of public issuers.

[119] The Labourers' Fund purchased Sino-Forest shares on the TSX during the class period, including 32,300 shares in a trade placed by Credit Suisse under a prospectus. Most of its purchases of Sino-Forest shares were made in the secondary market.

[120] On June 1, 2011, the Labourers' Fund held a total of 128,700 Sino-Forest shares with a market value of \$2.3 million, and it also had an interest in pooled funds that had \$1.4 million invested in Sino-Forest shares. On June 2 and 3, 2011, the Labourers' Fund sold its holdings in Sino-Forest for a net recovery of \$695,993.96. By June 30, 2011, the value of the Sino-Forest shares in the pooled funds was \$291,811.

[121] The Operating Engineers Fund is a multi-employer pension fund for employed operating engineers and apprentices in the construction industry. It is registered with the Financial Services Commission in Ontario, and it has 20,867 members. It is a long-time client of Koskie Minsky.

[122] The Operating Engineers Fund manages \$1.5 billion in assets. It has a fiduciary and statutory responsibility to invest pension monies on behalf of thousands of employees and pensions in Ontario and in other provinces.

[123] The Operating Engineers Fund acquired shares of Sino-Forest on the TSX during the class period. The Operating Engineers Fund invested in Sino-Forest shares through four asset managers of a segregated fund. One of the managers purchased 42,000 Sino-Forest shares between February 1, 2011, and May 24, 2011, which had a market value of \$764,820 at the close of trading on June 1, 2011. These shares were sold on June 21, 2011 for net \$77,170.80. Another manager purchased 181,700 Sino-Forest shares between January 20, 2011 and June 1, 2011, which had a market value of \$3.3 million at the close of trading on June 1, 2011. These shares were sold and the Operating Engineers Fund recovered \$1.5 million. Another asset manager purchased 100,400 Sino-Forest shares between July 5, 2007 and May 26, 2011, which had a market value of \$1.8 million at the close of trading on June 1, 2011. Many of these shares were sold in July and August, 2011, but the Operating Engineers Fund continues to hold approximately 37,350 shares. Between June 15, 2007 and June 9, 2011, the Operating Engineers Fund also purchased units of a pooled fund managed by TD that held Sino-Forest shares, and it continues to hold these units. The Operating Engineers Fund has incurred losses in excess of \$5 million with respect to its investment in Sino-Forest shares.

[124] Sjunde AP-Fonden is the Swedish Nation Pension Fund, and part of Sweden's national pension system. It manages \$15.3 billion in assets. It has acted as lead plaintiff in a large securities class action and a large stockholder class action in the United States.

[125] In addition to retaining Koskie Minsky and Siskinds, Sjunde AP-Fonden also retained the American law firm Kessler Topaz to provide assistance, if necessary, to Koskie Minsky and Siskinds.

[126] Sjunde AP-Fonden purchased Sino-Forest shares on the TSX from outside Canada between April 2010 and January 2011. It was holding 139,398 shares with a value of \$2.5 million at the close of trading on June 1, 2011. It sold 43,095 shares for \$188,829.36 in August 2011 and holds 93,303 shares.

[127] Sjunde AP-Fonden is prepared to be representative plaintiff for a sub-class of non-Canadian purchasers of Sino-Forest shares who purchased shares in Canada from outside of Canada.

[128] Messrs. Mancinelli, Gallagher, and Grottheim each deposed that Labourers' Fund, the Operating Engineers Fund, and Sjunde AP-Fonden respectively sued because of their losses and because of their concerns that public markets remain healthy and transparent.

[129] Although it does not seek to be a representative plaintiff, the Healthcare Employee Benefits Plans of Manitoba ("Healthcare Manitoba") is a major class member that supports carriage being granted to Koskie Minsky and Siskinds, and its presence should also be mentioned here because it actively supports the appointment of the proposed representative plaintiffs in *Labourers v. Sino-Forest*.

[130] Healthcare Manitoba provides pensions and other benefits to eligible healthcare employees and their families throughout Manitoba. It has 65,000 members. It is a long-time client of Koskie Minsky. It manages more than \$3.9 billion in assets.

[131] Healthcare Manitoba, invested in Sino-Forest shares that were purchased by one of its asset managers in the TSX secondary market. Between February and May, 2011, it purchased 305,200 shares with a book value of \$6.7 million. On June 24, 2011, the shares were sold for net proceeds of \$560,775.48.

Northwest v. Sino-Forest

[132] In *Northwest v. Sino-Forest*, the proposed representative plaintiffs are: British Columbia Investment Management Corporation ("BC Investment"); Comité syndical national de retraite Bâtirente inc. ("Bâtirente") and Northwest & Ethical Investments L.P. ("Northwest").

[133] BC Investment, which is incorporated under the British Columbia *Public Sector Pension Plans Act*, is owned by and is an agent of the Government of British Columbia. It manages \$86.9 billion in assets. Its investment activities help to finance the retirement benefits of more than 475,000 residents of British Columbia, including public service employees, healthcare workers, university teachers, and staff. Its investment activities also help to finance the WorkSafeBC insurance fund that covers approximately 2.3 million workers and over 200,000 employers in B.C., as well as, insurance funds for public service long term disability and credit union deposits.

[134] BC Investment, through the funds it managed, owned 334,900 shares of Sino-Forest at the start of the Class Period, purchased 6.6 million shares during the Class Period, including 50,200 shares in the June 2009 offering and 54,800 shares in the December 2009 offering; sold 5 million shares during the Class Period; disposed of 371,628 shares after the end of the Class Period; and presently holds 1.5 million shares.

[135] Bâtirente is a non-profit financial services firm initiated by the Confederation of National Trade Unions to establish and promote a workplace retirement system for affiliated unions and other organizations. It is registered as a financial services firm regulated in Quebec by the Autorité des marchés financiers under *the Act Respecting the Distribution of Financial Products and Services*, R.S.Q., chapter D-9.2. It has assets of about \$850 million.

[136] Bâtirente, through the funds it managed, did not own any shares of Sino-Forest before the class period, purchased 69,500 shares during the class period, sold 57,625 shares during the class period, and disposed of the rest of its shares after the end of the class period.

[137] Northwest is an Ontario limited partnership, owned 50% by the Provincial Credit Unions Central and 50% by Federation des caisses Desjardin du Québec. It is registered with the British Columbia Securities Commission as a portfolio manager, and it is registered with the OSC as a portfolio manager and as an investment funds manager. It manages about \$5 billion in assets.

[138] Northwest, through the funds it managed, did not own any shares of Sino-Forest before the class period, purchased 714,075 shares during the class period, including 245,400 shares in the December 2009 offering, sold 207,600 shares during the class period, and disposed of the rest of its shares after the end of the class period.

[139] Kim Orr touts BC Investment, Bâtirente, and Northwest as candidates for representative plaintiff because they are sophisticated “activist shareholders” that are committed to ethical investing. There is evidence that they have all raised governance issues with Sino-Forest as well as other companies. Mr. Mountain of Northwest and Mr. Simard of Bâtirente are eager to be actively involved in the litigation against Sino-Forest.

4. Funding

[140] Koskie Minsky and Siskinds have approached Claims Funding International, and subject to court approval, Claims Funding International has agreed to indemnify the plaintiffs for an adverse costs award in return for a percentage of any recovery from the class action.

[141] Koskie Minsky and Siskinds state that if the funding arrangement with Claims Funding International is refused, they will, in any event, proceed with the litigation and will indemnify the plaintiffs for any adverse costs award.

[142] Similarly, Kim Orr has approached Bridgepoint Financial Services, which subject to court approval, has agreed to indemnify the plaintiffs for an adverse costs award in return for a percentage of any recovery in the class action. If this arrangement is not approved, Kim Orr intends to apply to the Class Proceedings Fund, which would be a more expensive approach to financing the class action.

[143] Kim Orr states that if these funding arrangements are refused, it will, in any event, proceed with the litigation and it will indemnify the plaintiffs for any adverse costs award.

[144] Rochon Genova did not mention in its factum whether it intends to apply to the Class Proceedings Fund on behalf of Messrs. Smith and Collins, but for the purposes of the discussion later about the carriage order, I will assume that this may be the case. I will also assume that Rochon Genova has agreed to indemnify Messrs. Smith and Collins for any adverse costs award should funding not be granted by the Fund.

5. Conflicts of Interest

[145] One of the qualifications for being a representative plaintiff is that the candidate does not have a conflict of interest in representing the class members and in bringing an action on their behalf. All of the candidates for representative plaintiff in the competing class actions depose that they have no conflicts of interest. Their opponents disagree.

[146] Rochon Genova submits that there are inherent conflicts of interests in both *Labourers v. Sino-Forest* and in *Northwest v. Sino-Forest* because the representative plaintiffs bring actions on behalf of both shareholders and noteholders. Rochon Genova submits that these conflicts are exacerbated by the prospect of a Sino-Forest bankruptcy.

[147] Relying on *Casurina Ltd. Partnership v. Rio Algom Ltd.* [2004] O.J. No. 177 (C.A.) at paras. 35-36, aff'g [2002] O.J. No. 3229 (S.C.J.), leave to appeal to the S.C.C. denied, [2004] S.C.C.A. No. 105 and *Amaranth LLC. v. Counsel Corp.*, [2003] O.J. No. 4674 (S.C.J.), Rochon Genova submits that a class action by the bondholders is precluded by the pre-conditions in the bond instruments, but if it were to proceed, it might not be in the best interests of the bondholders, who might prefer to have Sino-Forest capable of carrying on business. Further still, Rochon Genova submits that, in any event, an action by the bondholders' trustee may be the preferable way for the noteholders to sue on their notes. Further, Rochon Genova submits that if there is a bankruptcy, the bondholders may prefer to settle their claims in the context of the bankruptcy rather than being connected in a class action to the shareholder's claims over which they would have priority in a bankruptcy.

[148] Further still, Rochon Genova submits that a bankruptcy would bring another conflict of interest between bondholders and shareholders because under s. 50(14) of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, and 5.1(2) of the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 the claims of creditors against directors that are based on misrepresentation or oppression may not be compromised through a plan or proposal. In contrast, *Allen-Vanguard Corp., Re*, 2011 ONSC 5017 (S.C.J.) at paras. 48-52 is authority that shareholders are not similarly protected, and, therefore, Rochon Genova submits that the noteholders would have a great deal more leverage in resolving claims against directors than would the shareholder members of the class in a class action.

[149] Kim Orr denies that there is a conflict in the representative plaintiffs acting on behalf of both shareholders and bondholders. It submits that while bondholders may have an additional claim in contract against Sino-Forest for repayment of the debt outside of the class action, both shareholders and bondholders share a misrepresentation claim against Sino-Forest and there is no conflict in advancing the misrepresentation claim independent of the debt repayment claim.

[150] Koskie Minsky and Siskinds also deny that there is any conflict in advancing claims by both bondholders and shareholders. They say that the class members are on common ground in advancing misrepresentation, tort, and the various statutory causes of action. Koskie Minsky and Siskinds add that if there was a conflict, then it is manageable because they have a representative plaintiff who was a bondholder, which is not the case for the representative plaintiffs in *Northwest v. Sino-Forest*. It submits

that, if necessary, subclasses can be established to manage any conflicts of interest among class members.

[151] Leaving the submitted shareholder and bondholder conflicts of interest, Rochon Genova submits that Labourers' Fund has a conflict of interest because BDO Canada is its auditor. Rochon Genova submits that Koskie Minsky also has a conflict of interest because it and BDO Canada have worked together on a committee providing liaison between multi-employer pension plans and the Financial Services Commission of Ontario and have respectively provided services as auditor and legal counsel to the Union Benefits Alliance of Construction Trade Unions. Rochon Genova submits that it is telling that these conflicts were not disclosed and that BDO, which is an entity that is an international associate with BDO Canada was a late arrival as a defendant in *Labourers v. Sino-Forest*, although this can be explained by changes in the duration of the class period.

[152] For their part, Koskie Minsky and Siskinds raise a different set of conflicts of interest. They submit that Northwest, Bâtirente, and BC Investments have a conflict of interest with the other class members who purchased Sino-Forest securities because of their role as investment managers.

[153] Koskie Minsky and Siskinds' argument is that as third party financial service providers, BC Investment, Bâtirente, and Northwest did not suffer losses themselves but rather passed the losses on to their clients. Further, Koskie Minsky and Siskinds submit that, in contrast to BC Investment, Bâtirente, and Northwest, their clients, Labourers' Fund and Operating Engineers Fund, are acting as fiduciaries to recover losses that will affect their members' retirements. This arguably makes Koskie Minsky and Siskinds better representative plaintiffs.

[154] Further still, Koskie Minsky and Siskinds submit that the class members in *Northwest v. Sino-Forest* may question whether Northwest, Bâtirente, and BC Investments failed to properly evaluate the risks of investing in Sino-Forest. Koskie Minsky and Siskinds point out that the Superior Court of Québec in *Comité syndical national de retraite Bâtirente inc. c. Société financière Manuvie*, 2011 QCCS 3446 at paras. 111-119 disqualified Bâtirente as a representative plaintiff because there might be an issue about Bâtirente's investment decisions. Thus, Koskie, Minsky and Siskinds attempt to change Northwest, Bâtirente, and BC Investments' involvement in encouraging good corporate governance at Sino-Forest from a positive attribute into the failure to be aware of ongoing wrongdoing at Sino-Forest and a negative attribute for a proposed representative plaintiff.

6. Definition of Class Membership

Smith v. Sino-Forest

[155] In *Smith v. Sino-Forest*, the proposed class action is: (a) on behalf of all persons who purchased shares of Sino-Forest from May 17, 2004 to August 26, 2011 on the TSX or other secondary market; and (b) on behalf of all persons who acquired shares of Sino-Forest during the offering distribution period relating to Sino-Forest's share prospectus offerings on June 1, 2009 and December 10, 2009 excluding the Defendants,

members of the immediate families of the Individual Defendants, or the directors, officers, subsidiaries and affiliates of the corporate Defendants.

[156] Both Koskie Minsky and Siskinds and Kim Orr challenge this class membership as inadequate for failing to include the bondholders who were allegedly harmed by the same misconduct that harmed the shareholders.

Labourers v. Sino-Forest

[157] In *Labourers v. Sino-Forest*, the proposed class action is on behalf of all persons and entities wherever they may reside who acquired securities of Sino-Forest during the period from and including March 19, 2007 to and including June 2, 2011 either by primary distribution in Canada or an acquisition on the TSX or other secondary markets in Canada, other than the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the family of an individual defendant.

[158] The class membership definition in *Labourers v. Sino-Forest* includes non-Canadians who purchased shares or notes in Canada but excludes non-Canadians who purchased in a foreign marketplace.

[159] Challenging this definition, Kim Orr submits that it is wrong in principle to exclude persons whose claims will involve the same facts as other class members and for whom it is arguable that Canadian courts may exercise jurisdiction and provide access to justice.

Northwest v. Sino-Forest.

[160] In *Northwest v. Sino-Forest*, the proposed class action is on behalf of purchasers of shares or notes of Sino-Forest during the period from August 17, 2004 through June 2, 2011, except: Sino-Forest's past and present subsidiaries and affiliates; the past and present officers and directors of Sino-Forest and its subsidiaries and affiliates; members of the immediate family of any excluded person; the legal representatives, heirs, successors, and assigns of any excluded person or entity; and any entity in which any excluded person or entity has or had a controlling interest.

[161] Challenging this definition, Koskie Minsky and Siskinds submit that the proposed class in *Northwest* has no geographical limits and, therefore, will face jurisdictional and choice of law challenges that do not withstand a cost benefit analysis. It submits that Sino-Forest predominantly raised capital in Canadian capital markets and the vast majority of its securities were either acquired in Canada or on a Canadian market, and, in this context, including in the class non-residents who purchased securities outside of Canada risks undermining and delaying the claims of the great majority of proposed class members whose claims do not face such jurisdictional obstacles.

7. Definition of Class Period

Smith v. Sino-Forest

[162] In *Smith v. Sino-Forest*, the class period is May 17, 2004 to August 26, 2011. This class period starts with the release of Sino-Forest's release of its 2003 Annual Information Form, which indicated the use of authorized intermediaries, and it ends on the day of the OSC's cease-trade order.

[163] For comparison purposes, it should be noted that this class period has the earliest start date and the latest finish date. *Labourers v. Sino-Smith* and *Northwest v. Sino-Forest* both use the end date of the release of the Muddy Waters Report.

[164] In making comparisons, it is helpful to look at the chart found at Schedule A of this judgment.

[165] Rochon Genova justifies its extended end date based on the argument that the Muddy Waters Report was a revelation of Sino-Forest's misrepresentation but not a corrective statement that would end the causation of injuries because Sino-Forest and its officers denied the truth of the Muddy Waters Report.

[166] Kim Orr's criticizes the class definition in *Smith v. Sino-Forest* and submits that purchasers of shares or notes after the Muddy Waters Report was published do not have viable claims and ought not be included as class members.

[167] Koskie Minsky and Siskinds' submission is similar, and they regard the extended end date as problematic in raising the issues of whether there were corrective disclosures and of how Part XXIII.1 of the *Ontario Securities Act* should be interpreted.

Labourers v. Sino-Forest

[168] In *Labourers v. Sino-Forest*, the class period is March 19, 2007 to June 2, 2011.

[169] This class period starts with the date Sino-Forest's 2006 financial results were announced, and it ends on the date of the publication of the Muddy Waters Report.

[170] The March 19, 2007, commencement date was determined using a complex mathematical formula known as the "multi-trader trading model." Using this model, Mr. Torchio estimates that 99.5% of Sino-Forest's shares retained after June 2, 2011, had been purchased after the March 19, 2007 commencement date. Thus, practically speaking, there is almost nothing to be gained by an earlier start date for the class period.

[171] The proposed class period covers two share offerings (June 2009 and December 2009). This class period does not include time before the coming into force of Part XXIII.1 of the *Ontario Securities Act* (December 31, 2005), and, thus, Koskie Minsky and Siskinds submit that this aspect of their definition avoids problems about the retroactive application, if any, of Part XXIII.1 of the Act.

[172] For comparison purposes, the *Labourers* class period has the latest start date and shares the finish date used in the *Northwest v. Sino-Forest* action, which is sooner than the later date used in *Smith v. Sino-Forest*. It is the most compressed of the three definitions of a class period.

[173] Based on Mr. Torchio's opinion, Koskie Minsky and Siskinds submit that there are likely no damages arising from purchases made during a substantial portion of the class periods in *Smith v. Sino-Forest* and in *Northwest v. Sino-Forest*. Koskie Minsky and Siskinds submit that given that the average price of Sino's shares was approximately \$4.49 in the ten trading days after the Muddy Waters report, it is likely that any shareholder that acquired Sino-Forest shares for less than \$4.49 suffered no damages, particularly under Part XXIII.1 of the *Ontario Securities Act*.

[174] In part as a matter of principle, Kim Orr submits that Koskie Minsky and Siskinds' approach to defining the class period is unsound because it excludes class members who, despite the mathematical modelling, may have genuine claims and are being denied any opportunity for access to justice. Kim Orr submits it is wrong in principle to abandon these potential class members.

[175] Rochon Genova also submits that Koskie Minsky and Siskinds' approach to defining the class period is wrong. It argues that Koskie Minsky and Siskinds' reliance on a complex mathematical model to define class membership is arbitrary and unfair to share purchasers with similar claims to those claimants to be included as class members. Rochon Genova criticizes Koskie Minsky and Siskinds' approach as being the condemned merits based approach to class definitions and for being the sin of excluding class members because they may ultimately not succeed after a successful common issues trial.

[176] Relying on what I wrote in *Fischer v. IG Investment Management Ltd.*, 2010 ONSC 296 at para. 157, Rochon Genova submits that the possible failure of an individual class member to establish an individual element of his or her claim such as causation or damages is not a reason to initially exclude him or her as a class member. Rochon Genova submits that the end date employed in *Labourers v. Sino-Forest* and *Northwest v. Sino-Forest* is wrong.

Northwest v. Sino-Forest

[177] In *Northwest v. Sino-Forest*, the class period is August 17, 2004 to June 2, 2011.

[178] This class period starts from the day Sino-Forest closed its public offering of long-term notes that were still outstanding at the end of the class period and ends on the date of the Muddy Waters Research Report. This period covers three share offerings (June 2007, June 2009, and December 2009) and six note offerings (August 2004, July 2008, July 2009, December 2009, February 2010, and October 2010).

[179] For comparison purposes, the *Northwest v. Sino-Forest* class period begins 3 months later and ends three months sooner than the class period in *Smith v. Sino-Forest*. The *Northwest v. Sino-Forest* class period begins approximately two-and-a-half years earlier and ends at the same time as the class period in *Labourers v. Sino-Forest*.

[180] Kim Orr submits that its start date of August 17, 2004 is satisfactory, because on that date, Sino-Forest shares were trading at \$2.85, which is below the closing price of Sino-Forest shares on the TSX for the ten days after June 3, 2011 (\$4.49), which indicates that share purchasers before August 2004 would not likely be able to claim loss or damages based on the public disclosures on June 2, 2011.

[181] However, Koskie Minsky and Siskinds point out that Kim Orr's submission actually provides partial support for the theory for a later start date (March 19, 2007) because, there is no logical reason to include in the class persons who purchased Sino-Forest shares between May 17, 2004, the start date of the *Smith Action* and December 1, 2005, because with the exception of one trading day (January 24, 2005), Sino-Forest's shares never traded above \$4.49 during that period.

8. Theory of the Case against the Defendants

Smith v. Sino-Forest

[182] In *Smith v. Sino-Forest*, the theory of the case rests on the alleged non-arms' length transfers between Sino-Forest and its subsidiaries and authorized intermediaries, that purported to be suppliers and customers. Rochon Genova's investigations and analysis suggest that there are numerous non-arms length inter-company transfers by which Sino-Forest misappropriated investors' funds, exaggerated Sino-Forest's assets and revenues, and engaged in improper tax and accounting practices.

[183] Mr. Smith alleges that Sino-Forest's quarterly interim financial statements, audited annual financial statements, and management's discussion and analysis reports, which are Core Documents as defined under the *Ontario Securities Act*, misrepresented its revenues, the nature and scope of its business and operations, and the value and composition of its forestry holdings. He alleges that the Core Documents failed to disclose an unlawful scheme of fabricated sales transactions and the avoidance of tax and an unlawful scheme through which hundreds of millions of dollars in investors' funds were misappropriated or vanished.

[184] Mr. Smith submits that these misrepresentations and failures to disclose were also made in press releases and in public oral statements. He submits that Chan, Hyde, Horsley, Mak, Martin, Murray, and Wang authorized, permitted or acquiesced in the release of Core Documents and that Chan, Horsley, Martin, and Murray made the misrepresentations in public oral statements.

[185] In *Smith v. Sino-Forest*, Mr. Smith (and Mr. Collins) brings different claims against different combinations of Defendants; visualize:

- misrepresentation in a prospectus under Part XXIII of the *Ontario Securities Act*, against all the Defendants
- subject to leave being granted, misrepresentation in secondary market disclosure under Part XXIII.1 of the *Ontario Securities Act* as against the defendants: Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Wang, BDO and E&Y
- negligent, reckless, or fraudulent misrepresentation against Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, and Wang. This claim would appear to cover sales of shares in both the primary and secondary markets.

[186] It is to be noted that *Smith v. Sino-Forest* does not make a claim on behalf of noteholders, and, as described and explained below, it joins the fewest number of defendants.

[187] *Smith* also does not advance a claim on behalf of purchasers of shares through Sino-Forest's prospectus offering of June 5, 2007, because of limitation period concerns associated with the absolute limitation period found in 138.14 of the *Ontario Securities Act*. See: *Coulson v. Citigroup Global Markets Canada Inc.*, 2010 ONSC 1596 at paras. 98-100.

Labourers v. Sino-Forest

[188] The theory of *Labourers v. Sino-Forest* is that Sino-Forest, along with its officers, directors, and certain of its professional advisors, falsely represented that its financial statements complied with GAAP, materially overstated the size and value of its forestry assets, and made false and incomplete representations regarding its tax liabilities, revenue recognition, and related party transactions.

[189] The claims in *Labourers v. Sino-Forest* are largely limited to alleged misrepresentations in Core Documents as defined in the *Ontario Securities Act* and other Canadian securities legislation. Core Documents include prospectuses, annual information forms, information circulars, financial statements, management discussion & analysis, and material change reports.

[190] The representative plaintiffs advance statutory claims and also common law claims that certain defendants breached a duty of care and committed the torts of negligent misrepresentation and negligence. There are unjust enrichment, conspiracy, and oppression remedy claims advanced against certain defendants.

[191] In *Labourers v. Sino-Forest*, different combinations of representative plaintiffs advance different claims against different combinations of defendants; visualize:

- Labourers' Fund and Mr. Wong, purchasers of shares in a primary market distribution, advance a statutory claim under Part XXIII of the *Ontario Securities Act* against Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, E&Y, BDO, CIBC, Canaccord, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD and Pöyry
- Labourers' Fund and Mr. Wong, purchasers of shares in a primary market distribution, advance a common law negligent misrepresentation claim against Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, E&Y, BDO, CIBC, Canaccord, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, and TD based on the common misrepresentation that Sino-Forest's financial statements complied with GAPP
- Labourers' Fund and Mr. Wong, purchasers of shares in a primary market distribution, advance a common law negligence claim against Sino-Forest, Chan, Hyde, Horsley, Mak, Martin, Murray, Poon, Wang, E&Y, BDO, CIBC, Canaccord, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD and Pöyry
- Grant, who purchased bonds in a primary market distribution, advances a statutory claim under Part XXIII of the *Ontario Securities Act* against Sino-Forest

- Grant, who purchased bonds in a primary market distribution, advances a common law negligent misrepresentation claim against Sino-Forest, E&Y and BDO based on the common misrepresentation that Sino-Forest's financial statements complied with GAPP
- Grant, who purchased bonds in a primary market distribution, advances a common law negligence claim against Sino-Forest, E&Y, BDO, Banc of America, Credit Suisse USA, and TD
- All the representative plaintiffs, subject to leave being granted, advance claims of misrepresentation in secondary market disclosure under Part XXIII.1 of the *Ontario Securities Act* and, if necessary, equivalent provincial legislation. This claim is against Sino-Forest, Ardell, Bowland, Chan, Hyde, Horsley, Mak, Martin, Murray, Poon, Wang, West, E & Y, BDO, and Pöyry
- All of the representative plaintiffs, who purchased Sino-Forest securities in the secondary market, advance a common law negligent misrepresentation claim against all of the Defendants except the underwriters based on the common misrepresentation contained in the Core Documents that Sino-Forest's financial statements complied with GAAP
- All the representative plaintiffs sue Sino-Forest, Chan, Horsley, and Poon for conspiracy. It is alleged that Sino-Forest, Chan, Horsley, and Poon conspired to inflate the price of Sino-Forest's shares and bonds and to profit by their wrongful acts to enrich themselves by, among other things, issuing stock options in which the price was impermissibly low
- While it is not entirely clear from the Statement of Claim, it seems that all the representative plaintiffs sue Chan, Horsley, Mak, Martin, Murray, and Poon for unjust enrichment in selling shares to class members at artificially inflated prices
- While it is not entirely clear from the Statement of Claim, it seems that all the representative plaintiffs sue Sino-Forest for unjust enrichment for selling shares at artificially inflated prices
- While it is not entirely clear from the Statement of Claim, it seems that all the representative plaintiffs sue Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD for unjustly enriching themselves from their underwriters fees
- All the representative plaintiffs sue Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, and Wang for an oppression remedy under the *Canada Business Corporations Act*

[192] Koskie Minsky and Siskinds submit that *Labourers v. Sino-Forest* is more focused than *Smith* and *Northwest* because: (a) its class definition covers a shorter time period and is limited to securities acquired by Canadian residents or in Canadian markets; (b) the material documents are limited to Core Documents under securities legislation; (c) the named individual defendants are limited to directors and officers with statutory obligations to certify the accuracy of Sino-Forest's public filings; and (d) the

causes of action are tailored to distinguish between the claims of primary market purchasers and secondary market purchasers and so are less susceptible to motions to strike.

[193] Koskie Minsky and Siskinds submit that save for background and context, little is gained in the rival actions by including claims based on non-Core Documents, which confront a higher threshold to establish liability under Part XXIII.1 of the *Ontario Securities Act*.

Northwest v. Sino-Forest

[194] The *Northwest v. Sino-Forest* Statement of Claim focuses on an “Integrity Representation,” which is defined as: “the representation in substance that Sino-Forest’s overall reporting of its business operations and financial statements was fair, complete, accurate, and in conformity with international standards and the requirements of the *Ontario Securities Act* and National Instrument 51-102, and that its accounts of its growth and success could be trusted.”

[195] The *Northwest v. Sino-Forest* Statement of Claim alleges that all Defendants made the Integrity Representation and that it was a false, misleading, or deceptive statement or omission. It is alleged that the false Integrity Representation caused the market decline following the June 2, 2011, disclosures, regardless of the truth or falsity of the particular allegations contained in the Muddy Waters Report.

[196] In *Northwest v. Sino-Forest*, the representative plaintiffs advance statutory claims under Parts XXIII and XXIII.1 of the *Ontario Securities Act* and a collection of common law tort claims. Kim Orr submits that to the extent, if any, that the statutory claims do not provide complete remedies to class members, whether due to limitation periods, liability caps, or other limitations, the common law claims may provide coverage.

[197] In *Northwest v. Sino-Forest*, the plaintiffs advance different claims against different combinations of defendants; visualize:

- With respect to the June 2009 and December 2009 prospectus, a cause of action for violation of Part XXIII of the *Ontario Securities Act* against Sino-Forest, the underwriter Defendants, the director Defendants, the Defendants who consented to disclosure in the prospectus and the Defendants who signed the prospectus
- Negligent misrepresentation against all of the Defendants for disseminating material misrepresentations about Sino-Forest in breach of a duty to exercise appropriate care and diligence to ensure that the documents and statements disseminated to the public about Sino-Forest were complete, truthful, and accurate.
- Fraudulent misrepresentation against all of the Defendants for acting knowingly and deliberately or with reckless disregard for the truth making misrepresentations in documents, statements, financial statements, prospectus,

offering memoranda, and filings issued and disseminated to the investing public including Class Members.

- Negligence against all the Defendants for a breach of a duty of care to ensure that Sino-Forest implemented and maintained adequate internal controls, procedures and policies to ensure that the company's assets were protected and its activities conformed to all legal developments.
- Negligence against the underwriter Defendants, the note distributor Defendants, the auditor Defendants, and the Pöyry Defendants for breach of a duty to the purchasers of Sino-Forest securities to perform their professional responsibilities in connection with Sino-Forest with appropriate care and diligence.
- Subject to leave being granted, a cause of action for violation of Part XXIII.1 of the *Ontario Securities Act* against Sino-Forest, the auditor Defendants, the individual Defendants who were directors and officers of Sino-Forest at the time one or more of the pleaded material misrepresentations was made, and the Pöyry Defendants.

[198] Kim Orr submits that *Northwest v. Sino-Forest* is more comprehensive than its rivals and does not avoid asserting claims on the grounds that they may take time to litigate, may not be assured of success, or may involve a small portion of the total potential class. It submits that its conception of Sino-Forest's wrongdoing better accords with the factual reality and makes for a more viable claim than does Koskie Minsky and Siskinds' focus on GAAP violations and Rochon Genova's focus on the misrepresentations associated with the use of authorized intermediaries. It denies Koskie Minsky and Siskinds' argument that it has pleaded overbroad tort claims.

[199] Koskie Minsky and Siskinds submit that its conspiracy claim against a few defendants is focused and narrow, and it criticizes the broad fraud claim advanced in *Northwest v. Sino-Forest* against all the defendants as speculative, provocative, and unproductive.

[200] Relying on *McKenna v. Gammon Gold Inc.*, 2010 ONSC 1591 at para. 49; *Corfax Benefits Systems Ltd. v. Fiducie Desjardins Inc.*, [1997] O.J. No. 5005 (Gen. Div.) at paras. 28-36; *Hughes v. Sunbeam Corp. (Canada)*, [2000] O.J. No. 4595 (S.C.J.) at paras. 25 and 38; and *Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of)*, [1998] O.J. No. 2637 (Gen. Div.) at para. 477, Koskie Minsky and Siskinds submit that the speculative fraud action in *Northwest v. Sino-Forest* is improper and would not advance the interests of class members. Further, the task of proving that each of some twenty defendants had a fraudulent intent, which will be vehemently denied by the defendants, and the costs sanction imposed for pleading and not providing fraud make the fraud claim a negative and not a positive feature of *Northwest v. Sino-Forest*.

9. Joinder of Defendants

Smith v. Sino-Forest

[201] In *Smith v. Sino-Forest*, the Defendants are: Sino-Forest; seven of its directors and officers; namely: Chan, Horsley, Hyde, Mak, Martin, Murray, and Wang; nine underwriters; namely, Canaccord, CIBC, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, and TD; and Sino-Forest's two auditors during the Class Period, E & Y and BDO.

[202] The *Smith v. Sino-Forest* Statement of Claim does not join Pöyry because Rochon Genova is of the view that the disclaimer clause in Pöyry's reports likely insulates it from liability, and Rochon Genova believes that its joinder would be of marginal utility and an unnecessary complication. It submits that joining Pöyry would add unnecessary expense and delay to the litigation with little corresponding benefit because of its jurisdiction and its potential defences.

Labourers v. Sino-Forest

[203] In *Labourers v. Sino-Forest*, the Defendants are the same as in *Smith v. Sino-Forest* with the additional joinder of Ardell, Bowland, Poon, West, Banc of America, Credit Suisse (USA), and Pöyry.

[204] The *Labourers v. Sino-Forest* action does not join Chen, Ho, Hung, Ip, Maradin, Wong, Yeung, Zhao, Credit Suisse (USA), Haywood, Merrill-Fenner, Morgan and UBS, which are parties to *Northwest v. Sino-Forest*.

[205] Koskie Minsky and Siskinds' explanation for these non-joinders is that the activities of the underwriters added to *Northwest v. Sino-Forest* occurred outside of the class period in *Labourers v. Sino-Forest* and neither Lawrence nor Wong held a position with Sino-Forest during the proposed class period and the action against Lawrence's Estate is probably statute-barred. (See *Waschkowski v. Hopkinson Estate*, [2000] O.J. No. 470 (C.A.).)

[206] Wong left Sino-Forest before Part XXIII.1 of the *Ontario Securities Act* came into force, and Koskie Minsky and Siskinds submit that proving causation against Wong will be difficult in light of the numerous alleged misrepresentations since his departure. Moreover, the claim against him is likely statute-barred.

[207] Koskie Minsky and Siskinds submit that Chen, Maradin, and Zhao did not have statutory duties and allegations that they owed common law duties will just lead to motions to strike that hinder the progress of an action.

[208] Further, Koskie Minsky and Siskinds submit that it is not advisable to assert claims of fraud against all defendants, which pleading may raise issues for insurers that potentially put available coverage and thus collection for plaintiffs at risk.

[209] Kim Orr submits that it is a mistake in *Labourers v. Sino-Forest*, which is connected to the late start date for the class period, which Kim Orr also regards as a mistake, that those underwriters that may be liable and who may have insurance to indemnify them for their liability, have been left out of *Labourers v. Sino-Forest*.

Northwest v. Sino-Forest

[210] In *Northwest v. Sino-Forest*, with one exception, the defendants are the same as in *Labourers v. Sino-Forest* with the additional joinder of various officers of Sino-Forest; namely: Chen, Ho, Hung, Ip, The Estate of John Lawrence, Maradin, Wong, Yeung, and Zhao; the joinder of Pöyry Forest and JP Management; and the joinder of more underwriters; namely: Haywood, Merrill-Fenner, Morgan, and UBS.

[211] The one exception where *Northwest v. Sino-Forest* does not join a defendant found in *Labourers v. Sino-Forest* is Banc of America.

[212] Kim Orr's submits that its joinder of all defendants who might arguably bear some responsibility for the loss is a positive feature of its proposed class action because the precarious financial situation of Sino-Forest makes it in the best interests of the class members that they be provided access to all appropriate routes to compensation. It strongly denies Koskie Minsky and Siskinds' allegation that *Northwest v. Sino-Forest* takes a "shot-gun" and injudicious approach by joining defendants that will just complicate matters and increase costs and delay.

[213] Kim Orr submits that Rochon Genova has no good reason for not adding Pöyry, Pöyry Forest, and JP Management as defendants to *Smith v. Sino-Forest* and that Koskie Minsky and Siskinds have no good reason in *Labourers v. Sino-Forest* for suing Pöyry but not also suing its associated companies, all of whom are exposed to liability and may be sources of compensation for class members.

[214] While not putting it in my blunt terms, Kim Orr submits, in effect, that Koskie Minsky and Siskinds' omission of the additional defendants is just laziness under the guise of feigning a concern for avoiding delay and unnecessarily complicating an already complex proceeding.

10. Causes of Action

Smith v. Sino-Forest

[215] In *Smith v. Sino-Forest*, the causes of action advanced by Mr. Smith on behalf of the class members are:

- misrepresentation in a prospectus under Part XXIII of the *Ontario Securities Act*
- negligent, reckless, or fraudulent misrepresentation
- subject to leave being granted, misrepresentation in secondary market disclosure under Part XXIII.1 of the *Ontario Securities Act* and, if necessary, equivalent provincial legislation

Labourers v. Sino-Forest

[216] In *Labourers v. Sino-Forest*, the causes of action advanced by various combinations of plaintiffs against various combinations of defendants are:

- misrepresentation in a prospectus under Part XXIII of the *Ontario Securities Act*
- negligent misrepresentation

- negligence
- subject to leave being granted misrepresentation in secondary market disclosure under Part XXIII.1 of the *Ontario Securities Act* and, if necessary, equivalent provincial legislation
- conspiracy
- unjust enrichment
- oppression remedy.

[217] Kim Orr submits that the unjust enrichment claims and oppression remedy claims seemed to be based on and add little to the misrepresentation causes of action. It concedes that the conspiracy action may be a tenable claim but submits that its connection to the disclosure issues that comprise the nucleus of the litigation is unclear.

Northwest v. Sino-Forest

[218] In *Northwest v. Sino-Forest*, the causes of action are:

- misrepresentation in a prospectus in violation of Part XXIII the *Ontario Securities Act*
- misrepresentation in an offering memorandum in violation of Part XXIII the *Ontario Securities Act*
- negligent misrepresentation
- fraudulent misrepresentation
- negligence
- subject to leave being granted misrepresentation in secondary market disclosure under Part XXIII.1 of the *Ontario Securities Act* and, if necessary, equivalent provincial legislation

[219] The following chart is helpful in comparing and contrasting the joinder of various causes of action and the joinder of defendants in *Smith v. Sino-Forest*, *Labourers v. Sino-Forest* and *Northwest v. Sino-Forest*.

Cause of Action	<i>Smith v. Sino-Forest</i> ,	<i>Labourers v. Sino-Forest</i> ,	<i>Northwest v. Sino-Forest</i> ,
Part XXIII of the <i>Ontario Securities Act</i> – primary market shares	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Wang, Canaccord, CIBC, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD, E&Y, BDO	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, Canaccord, CIBC, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD, E&Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Canaccord, CIBC Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management [for June 2009 and Dec. 2009 prospectus]
Part XXIII of the <i>Ontario Securities Act</i> – primary		Sino-Forest [two bond issues]	Sino-Forest [six bond issues]

market bonds			
Negligent misrepresentation – primary market shares	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Wang, E&Y, BDO	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, Canaccord, CIBC, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD, E&Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management.
Negligent misrepresentation – primary market bonds		Sino-Forest, E&Y, BDO	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Negligence – primary market shares		Sino-Forest, Chan, Hyde, Horsley, Mak, Martin, Murray, Poon, Wang, E &Y, BDO, CIBC, Canaccord, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD, Pöyry,	[see negligence, professional negligence]
Negligence – primary market bonds		Sino-Forest, E&Y, BDO, Banc of America, Credit Suisse USA, TD	[See negligence, professional negligence]
Negligence			Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Professional Negligence			Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management

Part XXIII.1 of the <i>Ontario Securities Act</i> – secondary market shares	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Wang, E&Y, BDO	Sino-Forest, Ardell, Bowland, Chan, Hyde, Horsley, Mak, Martin, Murray, Poon, Wang, West, E & Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Part XXIII.1 of the <i>Ontario Securities Act</i> – secondary market bonds		Sino-Forest, Ardell, Bowland, Chan, Hyde, Horsley, Mak, Martin, Murray, Poon, Wang, West, E & Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Negligent misrepresentation – secondary market shares	Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Wang, E&Y, BDO	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, E&Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Negligent misrepresentation – secondary market bonds		Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, E&Y, BDO, Pöyry	Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Negligence - secondary market shares		Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, Canaccord, CIBC,	[see negligence, professional negligence]

		Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, TD, E&Y, BDO, Pöyry	
Conspiracy		Sino-Forest, Chan, Horsley, Poon,	
Fraudulent Misrepresentation - Bonds, shares			Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management
Unjust Enrichment		Chan, Horsley, Mak, Martin, Murray, Poon,	
Unjust Enrichment		Sino-Forest,	
Unjust Enrichment		Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, TD	
Oppression Remedy		Sino-Forest, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang	

2012 ONSC 24 (CanLI)

11. The Plaintiff and Defendant Correlation

[220] In class actions in Ontario, for every named defendant there must be a named plaintiff with a cause of action against that defendant: *Ragoonanan v. Imperial Tobacco Canada Ltd.*, [2000] O.J. No. 4597 (S.C.J.) at para. 55 (S.C.J.); *Hughes v. Sunbeam Corp. (Canada)* (2002), 61 O.R. (3d) 433 (C.A.) at para. 18.

[221] As an application of the *Ragoonanan* rule, a purchaser in the secondary market cannot be the representative plaintiff for a class member who purchased in the primary market: *Menegon v. Philip Services Corp.*, [2001] O.J. No. 5547 (S.C.J.) at paras. 28-30 aff'd [2003] O.J. No. 8 (C.A.).

[222] Where the class includes non-resident class members, they must be represented by a representative plaintiff that is a non-resident: *McKenna v. Gammon Gold Inc.*, 2010 ONSC 1591 at paras. 109, 117 and 184; *Currie v. McDonald's Restaurants of Canada Ltd.* (2005), 74 O.R. (3d) 321 at para. 30 (C.A.).

[223] Koskie Minsky and Siskinds submit that *Labourers v. Sino-Forest* has no *Ragoonanan* problems. However, they submit that the other actions have problems. For example, until Mr. Collins volunteered, there was no representative plaintiff in *Smith v. Sino-Forest* who had purchased shares in the primary market, and at this juncture, it is not clear that Mr. Collins purchased in all of the primary market distributions. Mr. Smith and Mr. Collins may have timing-of-purchase issues. Mr. Smith made purchases

during periods when some of the Defendants were not involved; viz. BDO, Canaccord CIBC, Credit Suisse, Dundee, Maison, Merrill, RBC, Scotia, and TD.

[224] Koskie Minsky and Siskinds submit that none of the representative plaintiffs in *Northwest v. Sino-Forest* purchased notes in the primary market for the 2007 prospectus offering and that the plaintiffs in *Northwest* may have timing issues with respect to their claims against Wong, Lawrence, JP Management, UBS, Haywood and Morgan.

[225] Rochon Genova's and Kim Orr's response is that there are no *Ragoonanan* problems or no irremediable *Ragoonanan* problems.

12. Prospects of Certification

[226] Koskie Minsky and Siskinds framed part of their argument in favour of their being selected for carriage in terms of the comparative prospects of certification of the rival actions. They submitted that *Labourers v. Sino-Forest* was carefully designed to avoid the typical road blocks placed by defendants on the route to certification and to avoid inefficiencies and unproductive claims or claims that on a cost-benefit analysis would not be in the interests of the class to pursue. One of the typical roadblocks that they referred to was challenges to the jurisdiction of the Ontario Court over foreign class members and foreign defendants who have not attorned to the Ontario Superior Court of Justice's territorial jurisdiction.

[227] Koskie Minsky and Siskinds submitted that their representative plaintiffs focus their claims on a single misrepresentation to avoid the pitfalls of seeking to certify a negligent misrepresentation claim with multiple misrepresentations over a long period of time. Such a claim apparently falls into a pit because it is often not certified. Koskie Minsky and Siskinds say it is better to craft a claim that has higher prospects of certification and leave some claims behind. They submit that the Supreme Court of Canada accepted that a representative plaintiff is entitled to restrict their causes of action to make their claims more amenable to class proceedings: *Rumley v. British Columbia*, [2001] 3 S.C.R. 184 at para. 30.

[228] Although *Smith v. Sino-Forest* is even more focused than *Labourers v. Sino-Forest*, Koskie Minsky and Siskinds still submit that their approach is better because *Smith v. Sino-Forest* goes too far in cutting out the bondholders' claims and then losses focus by extending its claims beyond the release of the Muddy Waters Report.

[229] In any event, Koskie Minsky and Siskinds submit that *Labourers v. Sino-Forest* is better because the named plaintiffs are able to advance statutory and common law claims against all of the named defendants, which arguably is not the case for the plaintiffs in the other actions, who may have *Ragoonanan* problems or no tenable claims against some of the named defendants. Further, *Labourers* arguably is better because of a more focussed approach to maximize class recovery while avoiding the costs and delays inevitably linked with motions to strike.

[230] Kim Orr submits that its more comprehensive approach, where there are more defendant parties and expansive tort claims, is preferable to *Labourers v. Sino-Forest* and *Smith v. Sino-Forest*. Kim Orr submits that it does not shirk asserting claims

because they may be difficult to litigate and it does not abandon class members who may not be assured of success or who comprise a small portion of the class.

[231] Kim Orr submits that *Northwest v. Sino-Forest* is comprehensive and also cohesive and corresponds to the factual reality. It submits that the theories of the competing actions do not capture the wrongdoing at Sino-Forest for which many are culpable and who should be held responsible. It submits that its approach will meet the challenges of certification and yield an optimum recovery for the class.

[232] Rochon Genova submits that *Smith v. Sino-Forest* is much more cohesive than the other actions. It submits that the more expansive class definitions and causes of action in *Labourers v. Sino-Forest* and *Northwest v. Sino-Forest* will present serious difficulties relating to manageability, preferability, and potential conflicts of interest amongst class members that are not present in *Smith v. Sino-Forest*. Rochon Genova submits that it has developed a solid, straightforward theory of the case and made a great deal of progress in unearthing proof of Sino-Forest's wrongdoing.

G. CARRIAGE ORDER

1. Introduction

[233] With the explanation that follows, I stay *Smith v. Sino-Forest* and *Northwest v. Sino-Forest*, and I award carriage to Koskie Minsky and Siskinds in *Labourers v. Sino-Forest*. In the race for carriage of an action against *Sino-Forest*, I would have ranked Rochon Genova second and Kim Orr third.

[234] This is not an easy decision to make because class members would probably be well served by any of the rival law firms. Success in a carriage motion does not determine which is the best law firm, it determines that having regard to the interests of the plaintiffs and class members, to what is fair to the defendants, and to the policies that underlie the class actions regime, there is a constellation of factors that favours selecting one firm or group of firms as the best choice for a particular class action.

[235] Having regard to the constellation of factors, in the circumstances of this case, several factors are neutral or non-determinative of the choice for carriage. In this group are: (a) attributes of class counsel; (b) retainer, legal, and forensic resources; (c) funding; (d) conflicts of interest; and (e) the plaintiff and defendant correlation.

[236] In the case at bar, the determinative factors are: definition of class membership, definition of class period, theory of the case, causes of action, joinder of defendants, and prospects of certification.

[237] Of the determinative factors, the attributes of the representative plaintiffs is a standalone factor. The other determinative factors are interrelated and concern the rival conceptualizations of what kind of class action would best serve the class members' need for access to justice and the policies of fairness to defendants, behaviour modification, and judicial economy.

[238] Below, I will first discuss the neutral or non-determinative factors. Then, I will discuss the determinative factors. After discussing the attributes of the representative plaintiffs, I will discuss the related factors in two groups. One group of related factors is about class membership, and the second group of factors is about the claims against the defendants.

2. Neutral or Non-Determinative Factors

(a) Attributes of Class Counsel

[239] In the circumstances of the cases at bar, the attributes of the competing law firms along with their associations with prestigious and prominent American class action firms is not determinative of carriage, since there is little difference among the rivals about their suitability for bringing a proposed class action against Sino-Forest.

[240] With respect to the attributes of the law firms, although one might have thought that Mr. Spencer's call to the bar would diminish the risk, Koskie and Minsky and Siskinds, particularly Siskinds, raised a question about whether Milberg might cross the line of what legal services a foreign law firm may provide to the Ontario lawyers who are the lawyers of record, and Siskinds alluded to the spectre of violations of the rules of professional conduct and perhaps the evil of champerty and maintenance. It suggested that it was unfair to class members to have to bear this risk associated with the involvement of Milberg.

[241] However, at this juncture, I have no reason to believe that any of the competing law firms, all of which have associations with notable American class action firms, will shirk their responsibilities to control the litigation and not to condone breaches of the rules of professional conduct or tortious conduct.

(b) Retainer, Legal, and Forensic Resources

[242] The circumstances of the retainers and the initiative shown by the law firms and their efforts and resources expended by them are also not determinative factors in deciding the carriage motions in the case at bar, although it is an enormous shame that it may not be possible to share the fruits of these efforts once carriage is granted to one action and not the others.

[243] As I have already noted above, the aggregate expenditure to develop the tactical and strategic plans for litigation not including the costs of preparing for the carriage motion are approximately \$2 million. It seems that this effort by the respective law firms has been fruitful and productive. All of the law firms claim that their respective efforts have yielded valuable information to advance a claim against Sino-Forest and others.

[244] All of the law firms were quickly out of the starting blocks to initiate investigations about the prospects and merits of a class action against Sino-Forest. For different reasonable reasons, the statements of claim were filed at different times.

[245] In the case at bar, I do not regard the priority of the commencement of the actions as a meaningful factor, given that from the publication of the Muddy Waters Report, all the firms responded immediately to explore the merits of a class action and given that all the firms plan to amend their original pleadings that commenced the actions. In any event, I do not think that a carriage motion should be regarded as some sort of take home exam where the competing law firms have a deadline for delivering a statement of claim, else marks be deducted.

(c) Funding

[246] In my opinion, another non-determinative factor is the circumstances that: (a) the representative plaintiffs in *Labourers v. Sino-Forest* may apply for court approval for third-party funding; (b) the plaintiffs in *Northwest v. Sino-Forest* may apply for court approval for third-party funding or they may apply to the Class Proceedings Fund to be protected from an adverse costs award; (c) Messrs. Smith and Collins in *Smith v. Sino-Forest* may apply to the Class Proceedings Fund to be protected from an adverse costs award; and (d) each of the law firms have respectively undertaken with their respective clients to indemnify them from an adverse costs award.

[247] In the future, the court or the Ontario Law Foundation may have to deal with the funding requests, but for present purposes, I do not see how these prospects should make a difference to deciding carriage, although I will have something more to say below about the significance of the state of affairs that clients with the resources of Labourers' Fund, Operating Engineers Fund, Sjunde AP-Fonden, BC Investment, Bâtirente, and Northwest would seek an indemnity from their respective class counsel.

[248] In any event, in my opinion, standing alone, the funding situation is not a determinative factor to carriage, although it may be relevant to other factors that are discussed below.

(d) Conflicts of Interest

[249] In the circumstances of the case at bar, I also do not regard conflicts of interest as a determinative factor.

[250] I do not see how the fact that Northwest, Bâtirente, and BC Investments made their investments on behalf of others and allegedly suffered no losses themselves creates a conflict of interest. It appears to me that they have the same fiduciary responsibilities to their members as do Labourers' Fund, Operating Engineers Fund, Sjunde AP-Fonden, and Healthcare Manitoba.

[251] Northwest, Bâtirente, and BC Investments were the investors in the securities of Sino-Forest and although there may be equitable or beneficial owners, under the common law, they suffered the losses, just like the other investors in Sino-Forest securities suffered losses. The fact that Northwest, Bâtirente, and BC Investments held the investments in trust for their members does not change the reality that they suffered the losses.

[252] It is alleged that Northwest, Bâtirente, and BC Investments, who were involved in corporate governance matters associated with Sino-Forest, failed to properly evaluate the risks of investing in Sino-Forest. Based on these allegations, it is submitted that they have a conflict of interest. I disagree

[253] Having regard to the main allegation being that Sino-Forest was engaged in a corporate shell game that deceived everyone, it strikes me that it is almost a spuriously speculative allegation to blame another victim as being at fault. However, even if the allegation is true, the other class members have no claim against Northwest, Bâtirente, and BC Investments. If there were a claim, it would be by the members of Northwest, Bâtirente, and BC Investments, who are not members of the class suing Sino-Forest. The actual class members have no claim against Northwest, Bâtirente, and BC Investments but have a common interest in pursuing Sino-Forest and the other defendants.

[254] Further, it is arguable that Koskie Minsky and Siskinds are incorrect in suggesting that in *Comité syndical national de retraite Bâtirente inc. c. Société financière Manuvie*, 2011 QCCS 3446, the Superior Court of Québec disqualified Bâtirente as a representative plaintiff because there might be an issue about Bâtirente's investment decisions.

[255] It appears to me that Justice Soldevida did not appoint Bâtirente as a representative plaintiff for a different reason. The action in Québec was a class action. There were some similarities to the case at bar, insofar as it was an action against a corporation, Manulife, and its officers and directors for misrepresentations and failure to fulfill disclosure obligations under securities law. In that action, the personal knowledge of the investors was a factor in their claims against Manulife, and Justice Soldevida felt that sophisticated investors, like Bâtirente, could not be treated on the same footing as the average investor. It was in that context that she concluded that there was an appearance of a conflict of interest between Bâtirente and the class members.

[256] In the case at bar, however, particularly for the statutory claims where reliance is presumed, there is no reason to differentiate the average investors from the sophisticated ones. I also do not see how the difference between sophisticated and average investors would matter except perhaps at individual issues trials, where reasonable reliance might be an issue, if the matter ever gets that far.

[257] Another alleged conflict concerns the facts that BDO Canada, which is not a defendant, is the auditor of Labourers' Fund, and Koskie Minsky and BDO Canada have worked together on several matters. These circumstances are not conflicts of interest. There is no reason to think that Labourers' Fund and Koskie Minsky are going to pull their punches against BDO or would have any reason to do so.

[258] Finally, turning to the major alleged conflict between the bondholders and the shareholders, speaking generally, the alleged conflicts of interest between the bondholders that invested in Sino-Forest and the shareholders that invested in Sino-Forest arise because the bondholders have a cause of action in debt in addition to their causes of action based in tort or statutory misrepresentation claims, while, in contrast,

the shareholders have only statutory and common law claims based in misrepresentation.

[259] There is, however, within the context of the class action, no conflict of interest. In the class action, only the misrepresentation claims are being advanced, and there is no conflict between the bondholders and the shareholders in advancing these claims. Both the bondholders and the shareholders seek to prove that they were deceived in purchasing or holding on to their Sino-Forest securities. That the Defendants may have defences associated with the terms of the bonds is a problem for the bondholders but it does not place them in a conflict with shareholders not confronted with those special defences.

[260] Assuming that the bondholders and shareholders succeed or are offered a settlement, there might be a disagreement between them about how the judgment or settlement proceeds should be distributed, but that conflict, which at this juncture is speculative, can be addressed now or later by constituting the bondholders as a subclass and by the court's supervisory role in approving settlements under the *Class Proceedings Act, 1992*.

[261] If there are bondholders that wish only to pursue their debt claims or who wish not to pursue any claim against Sino-Force or who wish to have the bond trustee pursue only the debt claims, these bondholders may opt out of the class proceeding assuming it is certified.

[262] If there is a bankruptcy of Sino-Forest, then in the bankruptcy, the position of the shareholders as owners of equity is different than the position of the bondholders as secured creditors, but that is a natural course of a bankruptcy. That there are creditors' priorities, outside of the class action, does not mean that, within the class action, where the bondholders and the shareholders both claim damages, i.e., unsecured claims, there is a conflict of interest.

[263] The alleged conflict in the case at bar is different from the genuine conflict of interest that was identified in *Settington v. Merck Frost Canada Ltd.*, [2006] O.J. No. 379 (S.C.J.), where, for several reasons, the Merchant Law Firm was not granted carriage or permitted to be part of the consortium granted carriage in a pharmaceutical products liability class action against Merck.

[264] In *Settington*, one ground for disqualification was that the Merchant Law firm was counsel in a securities class action for different plaintiffs suing Merck for an unsecured claim. If the securities class action claim was successful, then the prospects of an unsecured recovery in the products liability class action might be imperiled. In the case at bar, however, within the class action, the bondholders are not pursuing a different cause of action from the shareholders; both are unsecured creditors for the purposes of their damages' claims arising from misrepresentation. If, in other proceedings, the bondholders or their trustee successfully pursue recovery in debt, then the threat to the prospects of recovery by the shareholders arises in the normal way that debt instruments have priority over equity instruments, which is a normal risk for shareholders.

[265] Put shortly, although the analysis may not be easy, there are no conflicts of interest between the bondholders and the shareholders within the class action that cannot be handled by establishing a subclass for bondholders at the time of certification or at the time a settlement is contemplated.

(e) The Plaintiff and Defendant Correlation

[266] In *Ragoonanan v. Imperial Tobacco Canada Ltd.*, (2000), 51 O.R. (3d) 603 (S.C.J.), in a proposed products liability class action, Mr. Ragoonanan sued Imperial Tobacco, Rothmans, and JTI-MacDonald, all cigarette manufacturers. He alleged that the manufacturers had negligently designed their cigarettes by failing to make them "fire safe." Mr. Ragoonanan's particular claim was against Imperial Tobacco, which was the manufacturer of the cigarette that allegedly caused harm to him when it was the cause of a fire at Mr. Ragoonanan's home. Mr. Ragoonanan did not have a claim against Rothmans or JTI-MacDonald.

[267] In *Ragoonanan*, Justice Cumming established the principle in Ontario class action law that there cannot be a cause of action against a defendant without a plaintiff who has that cause of action. Rather, there must be for every named defendant, a named plaintiff with a cause of action against that defendant. The *Ragoonanan* principle was expressly endorsed by the Court of Appeal in *Hughes v. Sunbeam Corp. (Canada) Ltd.* (2002), 61 O.R. (3d) 433 (C.A.) at paras. 13-18, leave to appeal to S.C.C. ref'd (2003), 224 D.L.R. (4th) vii.

[268] It should be noted, however, that in *Ragoonanan*, Justice Cumming did not say that there must be for every separate cause of action against a named defendant, a named plaintiff. In other words, he did not say that if some class members had cause of action A against defendant X and other class members had cause of action B against defendant X that it was necessary that there be a named representative plaintiff for both the cause of action A v. X and for the cause of action B v. X. It was arguable that if the representative plaintiff had a claim against X, then he or she could represent others with the same or different claims against X.

[269] Thus, there is room for a debate about the scope of the *Ragoonanan* principle, and, indeed, it has been applied in the narrow way, just suggested. Provided that the representative plaintiff has his or her own cause of action, the representative plaintiff can assert a cause of action against a defendant on behalf of other class members that he or she does not assert personally, provided that the causes of action all share a common issue of law or of fact: *Boulanger v. Johnson & Johnson Corp.*, [2002] O.J. No. 1075 (S.C.J.) at para. 22, leave to appeal granted, [2002] O.J. No. 2135 (S.C.J.), varied (2003), 64 O.R. (3d) 208 (Div. Ct.) at paras. 41, 48, varied [2003] O.J. No. 2218 (C.A.); *Healey v. Lakeridge Health Corp.*, [2006] O.J. No. 4277 (S.C.J.); *Matoni v. C.B.S. Interactive Multimedia Inc.*, [2008] O.J. No. 197 (S.C.J.) at paras. 71-77; *Voutour v. Pfizer Canada Inc.*, [2008] O.J. No. 3070 (S.C.J.); *Dobbie v. Arctic Glacier Income Fund*, 2011 ONSC 25 at para. 37. Thus, a representative plaintiff with damages for personal injury can claim in respect of dependents with derivative claims provided that

the statutes that create the derivative causes of action are properly pleaded: *Voutour v. Pfizer Canada Inc.*, *supra*; *Boulangier v. Johnson & Johnson Corp.*, *supra*.

[270] As noted above, in the case at bar, Koskie Minsky and Siskinds submit that *Labourers v. Sino-Forest* has no problem with the *Ragoonanan* principle and that *Smith v. Sino-Forest* and especially the more elaborate *Northwest v. Sino-Forest* confront *Ragoonanan* problems.

[271] For the purposes of this carriage motion, I do not feel it is necessary to do an analysis about the extent to which any of the rival actions are compliant with *Ragoonanan*.

[272] The *Ragoonanan* problem is often easy to fix. The emergence of Mr. Collins in *Smith v. Sino-Forest* to sue for the primary market shareholders is an example, assuming that Mr. Smith's own claims against the defendants do not satisfy the *Ragoonanan* principle. Therefore, I do not regard the plaintiff and defendant correlation as a determinative factor in determining carriage.

[273] It is also convenient here to add that I do not see the spectre of challenges to the Superior Court's jurisdiction over foreign class members or over the foreign defendants are a determinative factor to picking one action over another. It may be that *Northwest v. Sino-Forest* has the potential to attract more jurisdictional challenges but standing alone that potential is not a reason for disqualifying *Northwest v. Sino-Forest*.

3. Determinative Factors

(a) Attributes of the Proposed Representative Plaintiffs

[274] I turn now to the determinative factors that lead me to the conclusion that carriage should be granted to Koskie Minsky and Siskinds in *Labourers v. Sino-Forest*.

[275] The one determinative factor that stands alone is the characteristics of the candidates for representative plaintiff. In the case at bar, this is a troublesome and maybe a profound determinative factor.

[276] Kim Orr extolled the virtues of having its clients, Northwest, Bâtirente and BC Investments, which collectively manage \$92 billion in assets, as candidates to be representative plaintiffs.

[277] Similarly, Koskie Minsky and Siskinds extolled the virtues of having Labourers' Fund, Operating Engineers Fund, and Sjunde AP-Fonden as candidates for representative plaintiff, along with the support of major class member Healthcare Manitoba. Together, these parties to *Labourers v. Sino-Forest* collectively manage \$23.2 billion in assets. As noted above, Koskie Minsky and Siskinds submitted that their clients were not tainted by involving themselves in the governance oversight of Sino-Forest, which had been lauded as a positive factor by Kim Orr.

[278] As I have already discussed above in the context of the discussion about conflicts of interest, I do not regard Bâtirente's, and Northwest's interest in corporate governance generally or its particular efforts to oversee Sino-Forest as a negative factor.

[279] However, what may be a negative factor and what is the signature attribute of all of these candidates for representative plaintiff is that it is hard to believe that given their financial heft, they need the *Class Proceedings Act, 1992* for access to justice or to level the litigation playing field or that they need an indemnity to protect them from exposure to an adverse costs award.

[280] Although these candidates for representative plaintiff would seem to have adequate resources to litigate, they seem to be seeking to use a class action as a means to secure an indemnity from class counsel or a third-party funder for any exposure to costs. If they are genuinely serious about pursuing the defendants to obtain compensation for their respective members, they would also seem to be prime candidates to opt out of the class proceeding if they are not selected as a representative plaintiff.

[281] Mr. Rochon neatly argued that the class proceedings regime was designed for litigants like Mr. Smith not litigants like Labourers Trust or Northwest. He referred to the *Private Securities Litigation Reform Act of 1995*, legislation in the United States that was designed to encourage large institutions to participate in securities class actions by awarding them leadership of securities actions under what is known as a "leadership order". He told me that the policy behind this legislation was to discourage what are known as "strike suits;" namely, meritless securities class actions brought by opportunistic entrepreneurial attorneys to obtain very remunerative nuisance value payments from the defendants to settle non-meritorious claims.

[282] I was told that the American legislators thought that appointing a lead plaintiff on the basis of financial interest would ensure that institutional plaintiffs with expertise in the securities market and real financial interests in the integrity of the market would control the litigation, not lawyers. See: *LaSala v. Bordier et CIE*, 519 F.3d 121 (U.S. Ct App (3rd Cir)) (2008) at p. 128; *Taft v. Ackermans*, (2003), F.Supp.2d, 2003 WL 402789 at 1,2, D.H. Webber, "The Plight of the Individual Investor in Securities Class Actions" (2010) NYU Law and Economics Working Papers, paper 216 at p. 7.

[283] Mr. Rochon pointed out that the litigation environment is different in Canada and Ontario and that the provinces have taken a different approach to controlling strike suits. Control is established generally by requiring that a proposed class action go through a certification process and by requiring a fairness hearing for any settlements, and in the securities field, control is established by requiring leave for claims under Part XXIII.1 of the *Ontario Securities Act*. See *Ainslie v. CV Technologies Inc.* (2008) 93 O.R. (3d) 200 (S.C.J.) at paras. 7, 10-13.

[284] In his factum, Mr. Rochon eloquently argued that individual investors victimized by securities fraud should have a voice in directing class actions. Mr. Smith lost approximately half of his investment fortune; and according to Mr. Rochon, Mr. Smith is an individual investor who is highly motivated, wants an active role, and wants to have a voice in the proceeding.

[285] While I was impressed by Mr. Rochon's argument, it did not take me to the conclusions that the attributes of the institutional candidates for representative plaintiff in *Labourers v. Sino-Forest* and in *Northwest v. Sino-Forest* when compared to the

attributes of Mr. Smith should disqualify the institutional candidates from being representative plaintiffs or be a determinative factor to grant carriage to a more typical representative plaintiff like Mr. Smith or Mr. Collins.

[286] I think that it would be a mistake to have a categorical rule that an institutional plaintiff with the resources to bring individual proceedings or the means to opt-out of class proceedings and go it alone should be disqualified or discouraged from being a representative plaintiff. In the case at bar, the expertise and participation of the institutional investors in the securities marketplace could contribute to the successful prosecution of the lawsuit on behalf of the class members.

[287] Although Mr. Smith and Mr. Collins might lose their voice, they might in the circumstances of this case not be best voice for their fellow class members, who at the end of the day want results not empathy from their representative plaintiff and class counsel.

[288] Access to justice is one of the policy goals of the *Class Proceedings Act, 1992* and although it may be the case that the institutional representative plaintiffs want but do not need the access to justice provided by the Act, they are pursuing access to justice in a way that ultimately benefits Mr. Smith and other class members should their actions be certified as a class proceeding.

[289] On these matters, I agree with what Justice Rady said in *McCann v. CP Ships Ltd.*, [2009] O.J. No. 5182 (S.C.J.) at paras. 104-105:

104. I recognize that access to justice concerns may not be engaged when a class is comprised of large institutions with large claims. Authority for this proposition is found in *Abdool v. Anaheim Management Ltd.* (1995), 21 O.R. (3d) 453 (Div. Ct.). Moldaver J. made the following observation at p. 473:

As a rule, certification should have as its root a number of individual claims which would otherwise be economically unfeasible to pursue. While not necessarily fatal to an order for certification, the absence of this important underpinning will certainly weigh in the balance against certification.

105. Nevertheless, I am satisfied on the basis of the record before me that the individual claims and those of small corporations would likely be economically unfeasible to pursue. Further, there is no good principled reason that a large corporation should not be able to avail itself of the class proceeding mechanism where the other objectives are met.

[290] Another goal of the *Class Proceedings Act, 1992* is judicial economy, and the avoidance of a multiplicity of actions. However, the Act envisions a multiplicity of actions by permitting class members to opt-out and bring their own action against the defendants. However, there is an exception. The only class member that cannot opt out is the representative plaintiff, and in the circumstances of the case at bar, one advantage of granting carriage to one of the institutional plaintiffs is that they cannot opt out, and this, in and of itself, advances judicial economy.

[291] Another advantage of keeping the institutional plaintiffs in the case at bar in a class action is that the institutional plaintiffs are already to a large extent representative plaintiffs. They are already, practically speaking, suing on behalf of their own members, who number in the hundreds of thousands. Their members suffered losses by the

investments made on their behalf by BC Investments, Bâtirente, Northwest, Labourers' Fund, Operating Engineers Fund, Sjunde AP-Fonden, and Healthcare Manitoba. These pseudo-class members are probably better served by the court case managing the class action, assuming it is certified and by the judicial oversight of the approval process for any settlements.

[292] These thoughts lead me to the conclusion that in the circumstances of the case at bar, a determinative factor that favours *Labourers v. Sino-Forest* and *Northwest v. Sino-Forest* is the attributes of their candidates for representative plaintiff. In this regard, *Labourers v. Sino-Forest* has the further advantage that it also has Mr. Grant and Mr. Wong, who are individual investors and who can give voice to the interests of similarly situated class members.

(b) Definition of Class Membership and Definition of Class Period

[293] The first group of interrelated determinative factors is: definition of class membership and definition of class period. These factors concern who, among the investors in Sino-Forest shares and bonds, is to be given a ticket to a class action litigation train that is designed to take them to the court of justice.

[294] *Smith v. Sino-Forest* offers no tickets to bondholders because it is submitted that (a) the bondholders will fight with the shareholders about sharing the spoils of the litigation, especially because the bondholders have priority over the shareholders and secured and protected claims in a bankruptcy; (b) the bondholders will fight among themselves about a variety of matters including whether it would be preferable to leave it to their bond trustee to sue on their collective behalf to collect the debt rather than prosecute a class action for an unsecured claim for damages for misrepresentation; and (c) a misrepresentation action by the bondholders against some or all of the defendants may be precluded by the terms of the bonds.

[295] In my opinion, the bondholders should be included as class members, if necessary, with their own subclass, and, thus, *Smith v. Sino-Forest* does not fare well under this group of interrelated factors. As I explained above, I do not regard the membership of both shareholders and bondholders in the class as raising insurmountable conflicts of interest. The bondholders have essentially the same misrepresentation claims as do the shareholders, and it makes sense, particularly as a matter of judicial economy, to have their claims litigated in the same proceeding as the shareholders' claims.

[296] Pragmatically, if the bondholders are denied a ticket to one of the class actions now at the Osgoode Hall station because of a conflict of interest, then they could bring another class action in which they would be the only class members. That class action by the bondholders would raise the same issues of fact and law about the affairs of Sino-Forest. Thus, denying the bondholders a ticket on one of the two class actions that has made room for them would just encourage a multiplicity of litigation. It is preferable to keep the bondholders on board sharing the train with any conflicts being managed by the appointment of separate class counsel for the bondholders, who can form a subclass at certification or later assuming that certification is granted.

[297] As already noted above, for those bondholders who do not want to get on the litigation train, they can opt-out of the class action assuming it is certified. That the defendants may have defences to the misrepresentation claims of the bondholders is just a problem that the bondholders will have to confront, and it is not a reason to deny them a ticket to try to obtain access to justice.

[298] In *Caputo v. Imperial Tobacco Ltd.*, [2004] O.J. No. 299 (S.C.J.), Justice Winkler, as he then was, noted at para. 39 that there is a difference between restricting the joinder of causes of action in order to make an action more amenable to certification and restricting the number of class members in an action for which certification is being sought. He stated:

Although *Rumley v. British Columbia*, [2001] 3 S.C.R. 184 holds that the plaintiffs can arbitrarily restrict the causes of action asserted in order to make a proceeding more amenable to certification (at 201), the same does not hold true with respect to the proposed class. Here the plaintiffs have not chosen to restrict the causes of action asserted but rather attempt to make the action more amenable to certification by suggesting arbitrary exclusions from the proposed class. This is diametrically opposite to the approach taken by the plaintiffs in *Rumley*, and one which has been expressly disapproved by the Supreme Court in *Hollick v. Toronto (City)*, [2001] 3 S.C.R. 158. There, McLachlin C.J. made it clear that the onus falls on the putative representative to show that the "class is defined sufficiently narrowly" but without resort to arbitrary exclusion to achieve that result.....

[299] For shareholders, *Smith v. Sino-Forest* is more accommodating; indeed, it is the most accommodating, in offering tickets to shareholders to board the class action train. Without prejudice to the arguments of the defendants, who may impugn any of the class period or class membership definitions, and assuming that the bondholders are also included, the best of the class periods for shareholders is that found in *Smith v. Sino-Forest*.

[300] To be blunt, I found the rationales for shorter class periods in *Labourers v. Sino-Forest* and *Northwest v. Sino-Forest* somewhat paranoid, as if the plaintiffs were afraid that the defendants will attack their definitions for over-inclusiveness or for making the class proceeding unmanageable. Those attacks may come, but I see no reason for the plaintiffs in *Labourers* and *Sino-Forest* to leave at the station without tickets some shareholders who may have arguable claims.

[301] If Mr. Torchio is correct that almost all of the shareholders would be covered by the shortest class period that is found in *Labourers v. Sino-Forest*, then the defendants may think the fight to shorten the class period may not be worth it. If they are inclined to challenge the class definition on grounds of unmanageability or the class action as not being the preferable procedure, the longer class period definition will likely be peripheral to the main contest.

[302] I do not see the extension of the class period beyond June 2, 2011, when the Muddy Waters Report became public, as a problem. Put shortly, at this juncture, and subject to what the defendants may later have to say, I agree with Rochon Genova's arguments about the appropriate class period end date for the shareholders.

[303] If I am correct in this analysis so far, where it takes me is only to the conclusion that the best class period definition for shareholders is found in *Smith v. Sino-Forest*. It,

however, does not take me to the conclusion that carriage should be granted to *Smith v. Sino-Forest*. Subject to what the defendants may have to say, the class definitions and class period in *Labourers v. Sino-Forest* and in *Northwest v. Sino-Forest* appear to be adequate, reasonable, certifiable, and likely consistent with the common issues that will be forthcoming.

[304] Since for other reasons, I would grant carriage to *Labourers v. Sino-Forest*, the question I ask myself is whether the class definition in *Labourers*, which favourably includes bondholders, but which is not as good a definition as found in *Smith v. Sino-Forest* or in *Northwest v. Sino-Forest* should be a reason not to grant carriage to *Labourers*. My answer to my own question is no, especially since it is still possible to amend the class definition so that it is not under-inclusive.

(c) Theory of the Case, Causes of Action, Joinder of Defendants, and Prospects of Certification

[305] The second group of interrelated determinative factors is: theory of the case, causes of action, joinder of defendants, and prospects of certification. Taken together, it is my opinion, that these factors, which are about what is in the best interests of the putative class members, favour staying *Smith v. Sino-Forest* and *Northwest v. Sino-Forest* and granting carriage to *Labourers v. Sino-Forest*.

[306] In applying the above factors, I begin here with the obvious point that it would not be in the interests of the putative class members, let alone not in their best interests to grant carriage to an action that is unlikely to be certified or that, if certified, is unlikely to succeed. It also seems obvious that it would be in the best interests of class members to grant carriage to the action that is most likely to be certified and ultimately successful at obtaining access to justice for the injured or, in this case, financially harmed class members. And it also seems obvious that all other things being equal, it would be in the best interests of class members and fair to the defendants and most consistent with the policies of the *Class Proceedings Act, 1992* to grant carriage to the action that, to borrow from rule 1.04 or the *Rules of Civil Procedure* secures the just, most expeditious and least expensive determination of the dispute on its merits.

[307] While these points seem obvious, there is, however, a major problem in applying them, because the court should not and cannot go very far in determining the matters that would be most determinative of carriage. A carriage motion is not the time to determine whether an action will satisfy the criteria for certification or whether it will ultimately provide redress to the class members or whether it would be the preferable procedure or the most expeditious and least expensive procedure to resolve the dispute.

[308] Keeping this caution in mind, in my opinion, certain aspects of *Northwest v. Sino-Forest* make the other actions preferable. In this regard, I find the joinder of some defendants to *Northwest v. Sino-Forest* mildly troublesome.

[309] More serious, in *Northwest v. Sino-Forest*, I find the employment and reliance on the tort action of fraudulent misrepresentation less desirable than the causes of action utilized to provide procedural and substantive justice to the class members in *Smith v.*

Sino-Forest and Labourers v. Sino-Forest. In my opinion, the fraudulent misrepresentation action adds needless complexity and costs.

[310] While the finger-pointing of the OSC at Ho, Hung, Ip, and Yeung supports their joinder, the joinder of Chen, Lawrence Estate, Maradin, Wong, and Zhao is mildly troublesome. The joinder of defendants should be based on something more substantive than their opportunity to be a wrongdoer, and at this juncture it is not clear why Chen, Lawrence Estate, Maradin, Wong, and Zhao have been joined to *Northwest v. Sino-Forest* and not to the other proposed class actions. Their joinder, however, is only mildly troublesome, because the plaintiffs in *Northwest v. Sino-Forest* may have particulars of wrongdoing and have simply failed to plead them.

[311] Turning to the pleading of fraudulent misrepresentation, when it is far easier to prove a claim in negligent misrepresentation or negligence, the claim for fraudulent misrepresentation seems a needless provocation that will just fuel the defendants' fervour to defend and to not settle the class action. Fraud is a very serious allegation because of the moral and not just legal turpitude of it, and the allegation of fraud also imperils insurance coverage that might be the source of a recovery for class members.

[312] Kim Orr has understated the difficulties the plaintiffs in *Northwest v. Sino-Forest* will confront in impugning the integrity of Sino-Forest, Ardell, Bowland, Chan, Horsley, Hyde, Mak, Martin, Murray, Poon, Wang, West, Chen, Ho, Hung, Ip, Lawrence Estate, Maradin, Wong, Yeung, Zhao, Canaccord, CIBC, Credit Suisse, Credit Suisse (USA), Dundee, Haywood, Maison, Merrill, Merrill-Fenner, Morgan, RBC, Scotia, TD, UBS, E&Y, BDO, Pöyry, Pöyry Forest, JP Management.

[313] Fraud must be proved individually. In order to establish that a corporate defendant committed fraud, it must be proven that a natural person for whose conduct the corporation is responsible acted with a fraudulent intent. See: *Hughes v. Sunbeam Corp. (Canada)*, [2000] O.J. No. 4595 (S.C.J.) at para. 26; *Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of)*, [1998] O.J. No. 2637 (Gen. Div.) at paras. 477-479.

[314] A claim for deceit or fraudulent misrepresentation typically breaks down into five elements: (1) a false statement; (2) the defendant knowing that the statement is false or being indifferent to its truth or falsity; (3) the defendant having an intent to deceive the plaintiff; (4) the false statement being material and the plaintiff being induced to act; and (5) the defendant suffering damages: *Derry v. Peek* (1889), 14 App. Cas. 337 (H.L.); *Graham v. Saville*, [1945] O.R. 301 (C.A.); *Francis v. Dingman* (1983), 2 D.L.R. (4th) 244 (Ont. C.A.). The fraud elements are the second and third in this list.

[315] In the famous case of *Derry v. Peek*, the general issue was what counts as a fraudulent misrepresentation. More particularly, the issue was whether a careless or negligent misrepresentation without more could count as a fraudulent misrepresentation. In the case, the defendants were responsible for a false statement in a prospectus. The prospectus, which was for the sale of shares in a tramway company, stated that the company was permitted to use steam power to work a tram line. The statement was false because the directors had omitted the qualification that the use of steam power required the consent of the Board of Trade. As it happened, the consent was not given, the tram line would have to be driven by horses, and the company was wound-up. The Law

Lords reviewed the evidence of the defendants individually and concluded that although the defendants had all been careless in their use of language, they had honestly believed what they had said in the prospectus.

[316] In the lead judgment, Lord Herschell reviewed the case law, and at p. 374, he stated in the most famous passage from the case:

I think the authorities establish the following propositions. First, in order to sustain an action for deceit, there must be proof of fraud, and nothing short of that will suffice. Secondly, fraud is proved when it is shewn that a false representation has been made (1) knowingly, or (2) without belief in its truth, or (3) recklessly, careless, whether it be true or false. Although I have treated the second and third as distinct cases, I think the third is but an instance of the second, for one who makes a statement under such circumstances can have no real belief in the truth of what he states. To prevent a false statement being fraudulent, there must, I think be an honest belief in its truth. And this probably covers the whole ground, for one who knowingly alleges that which is false has obviously no such honest belief. Thirdly, if fraud is proved, the motive of the person guilty is immaterial. It matters not that there was no intention to cheat or injure the person to whom the statement was made.

[317] Lord Herschell's third situation is the one that was at the heart of *Derry v. Peek*, and the Law Lords struggled to articulate that relationship between belief and carelessness in speaking. Before the above passage, Lord Herschell stated at p. 361:

To make a statement careless whether it be true or false, and therefore without any real belief in its truth, appears to me to be an essentially different thing from making, through want of care, a false statement, which is nevertheless honestly believed to be true. And it is surely conceivable that a man may believe that what he states is the fact, though he has been so wanting in care that the Court may think that there were no sufficient grounds to warrant his belief.

[318] Lord Herschell is saying that carelessness in making a statement does not necessarily entail that a person does not believe what he or she is saying. However, later in his judgment, he emphasizes that carelessness is relevant and could be sufficient to show that a person did not believe what he or she was saying. Thus, carelessness may prove fraud, but it is not itself fraud. Lord Herschell's famous quotation, where he states that fraud is proven when it is shown that a false statement was made recklessly, careless whether it be true or false, states only awkwardly the role of carelessness and must be read in the context of the whole judgment.

[319] In *Angus v. Clifford*, [1891] 2 Ch. 449 (C.A.) at p. 471, Bowen, L.J. discussed the role of carelessness or recklessness in establishing fraud; he stated:

Not caring, in that context [i.e., in the context of an allegation of fraud], did not mean taking care, it meant indifference to the truth, the moral obliquity which consists of wilful disregard of the importance of truth, and unless you keep it clear that that is the true meaning of the term, you are constantly in danger of confusing the evidence from which the inference of dishonesty in the mind may be drawn - evidence which consists in a great many cases of gross want of caution - with the inference of fraud, or of dishonesty itself, which has to be drawn after you have weighed all the evidence.

[320] Bowen, L.J.'s statement alludes to the second element of what makes a statement fraudulent. Deceit or fraudulent misrepresentation requires that the defendant

have “a wicked mind:” *Le Lievre v. Gould*, [1893] 1 Q.B. 491 at p. 498. Fraud involves intentional dishonesty, the intent being to deceive. If the plaintiff fails to prove this mental element, then, as was the case in *Derry v. Peek*, the claim is dismissed. To succeed in an action for deceit or for fraudulent misrepresentation, the plaintiff must show not only that the defendant spoke falsely and contrary to belief but that the defendant had the intent to deceive, which is to say he or she had the aim of inducing the plaintiff to act mistakenly: *BG Checo International Ltd. v. British Columbia Hydro and Power Authority* (1993), 99 D.L.R. (4th) 577 (S.C.C.).

[321] The defendant’s reason for deceiving the plaintiff, however, need not be evil. In the passage above from *Derry v. Peek*, Lord Herschell notes that the person’s motive for saying something that he or she does not believe is irrelevant. A person may have a benign reason for defrauding another person, but the fraud remains because of the discordance between words and belief combined with the intent to mislead the plaintiff: *Smith v. Chadwick* (1854), 9 App. Cas. 187 at p. 201; *Bradford Building Society v. Borders*, [1941] 2 All E.R. 205 at p. 211; *Beckman v. Wallace* (1913), 29 O.L.R. 96 (C.A.) at p. 101.

[322] In promoting its fraudulent misrepresentation claim, Kim Orr relied on *Gregory v. Jolley* (2001), 54 O.R. (3d) 481 (C.A.), which was a case where a trial judge erred by not applying the third branch of the test articulated in *Derry v. Peek*. Justice Sharpe discussed the trial judge’s failure to consider whether the appellant had made out a case of fraud based on recklessness and stated at para. 20:

With respect to the law, the trial judge’s reasons show that he failed to consider whether the appellant had made out a case of fraud on the basis of recklessness. While he referred to a case that in turn referred to the test from *Derry v. Peek*, the reasons for judgment demonstrate to my satisfaction that the trial judge simply did not take into account the possibility that fraud could be made out if the respondent made misrepresentations of material fact without regard to their truth. The trial judge’s reasons speak only of an intention to defraud or of statements calculated to mislead or misrepresent. He makes no reference to recklessness or to statements made without an honest belief in their truth. As *Derry v. Peek* holds, that state of mind is sufficient proof of the mental element required for civil fraud, whatever the motive of the party making the representation. In another leading case on civil fraud, *Edgington v. Fitzmaurice*, (1885), 29 Ch. D.459 at 481-82 (C.A.), Bowen L.J. stated: “[I]t is immaterial whether they made the statement knowing it to be untrue, or recklessly, without caring whether it was true or not, because to make a statement recklessly for the purpose of influencing another person is dishonest.” The failure to give adequate consideration to the contention that the respondent had been reckless with the truth in regard to the income figures he gave in order to obtain disability insurance constitutes an error of law justifying the intervention of this court.

[323] From this passage, Kim Orr extracts the notion that there is a viable fraudulent misrepresentation against forty defendants all of whom individually can be shown to be reckless as opposed to careless. That seems unlikely, but more to the point, recklessness is only half the battle. The overall motive may not matter, but the defendant still must have had the intent to deceive, which in *Gregory v. Jolley* was the intent to obtain disability insurance to which he was not qualified to receive.

[324] Recklessness alone is not enough to constitute fraudulent misrepresentation, as Justice Cumming notes at para. 25 of his judgment in *Hughes v. Sunbeam Corp. (Canada)*, [2000] O.J. No. 4595 (S.C.J.), where he states:

The representation must have been made with knowledge of its falsehood or recklessness without belief in its truth. The representation must have been made by the representor with the intention that it should be acted upon by the representee and the representee must in fact have acted upon it.

[325] I conclude that the fraudulent misrepresentation action is a substantial weakness in *Northwest v. Sino-Forest*. In fairness, I should add that I think that the unjust enrichment causes of action and oppression remedy claims in *Labourers v. Sino-Forest* add little.

[326] The unjust enrichment claims in *Labourers* seem superfluous. If Sino-Forest, Chan, Horsley, Mak, Martin, Murray, Poon, Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia and TD, are found to be liable for misrepresentation or negligence, then the damages they will have to pay will far exceed the disgorgement of any unjust enrichment. If they are found not to have committed any wrong, then there will be no basis for an unjust enrichment claim for recapture of the gains they made on share transactions or from their remuneration for services rendered. In other words, the claims for unjust enrichment are unnecessary for victory and they will not snatch victory if the other claims are defeated. Much the same can be said about the oppression remedy claim. That said, these claims in *Labourers v. Sino-Forest* will not strain the forensic resources of the plaintiffs in the same way as taking on a massive fraudulent misrepresentation cause of action would do in *Northwest v. Sino-Forest*.

[327] For the purposes of this carriage motion, I have little to say about the “Integrity Representation” approach to the misrepresentation claims that are at the heart of the claims against the defendants in *Northwest v. Sino-Forest* or of the “GAAP” misrepresentation employed in *Labourers v. Sino-Forest*, or the focus on the authorized intermediaries in *Smith v. Sino-Forest*. Short of deciding the motion for certification, there is no way of deciding which approach is more likely to lead to certification or which approach the defendants will attack as deficient. For present purposes, I am simply satisfied that the class members are best served by the approach in *Labourers v. Sino-Forest*.

[328] The cohesive, yet adequately comprehensive, approach used in *Smith v. Sino-Forest* appears to me close to *Labourers v. Sino-Forest*, but in my opinion, *Smith v. Sino-Forest* wants for the inclusion of the bondholders, and, as noted above, there are other factors which favour *Labourers v. Sino-Forest* over *Smith v. Sino-Forest*. That said, it was a close call for me to choose *Labourers v. Sino-Forest* and not *Smith v. Sino-Forest*.

H. CONCLUSION

[329] For the above Reasons, I grant carriage to Koskie Minsky and Siskinds with leave to the plaintiffs in *Labourers v. Sino-Forest* to deliver a Fresh as Amended Statement of Claim.

[330] In granting leave, I grant leave generally and the plaintiffs are not limited to the amendments sought as a part of this carriage motion. It will be for the plaintiffs to decide whether some amendments are in order to respond to the lessons learned from this carriage motion, and it is not too late to have more representative plaintiffs.

[331] I repeat that a carriage motion is without prejudice to the defendants' rights to challenge the pleadings and whether any particular cause of action is legally tenable.

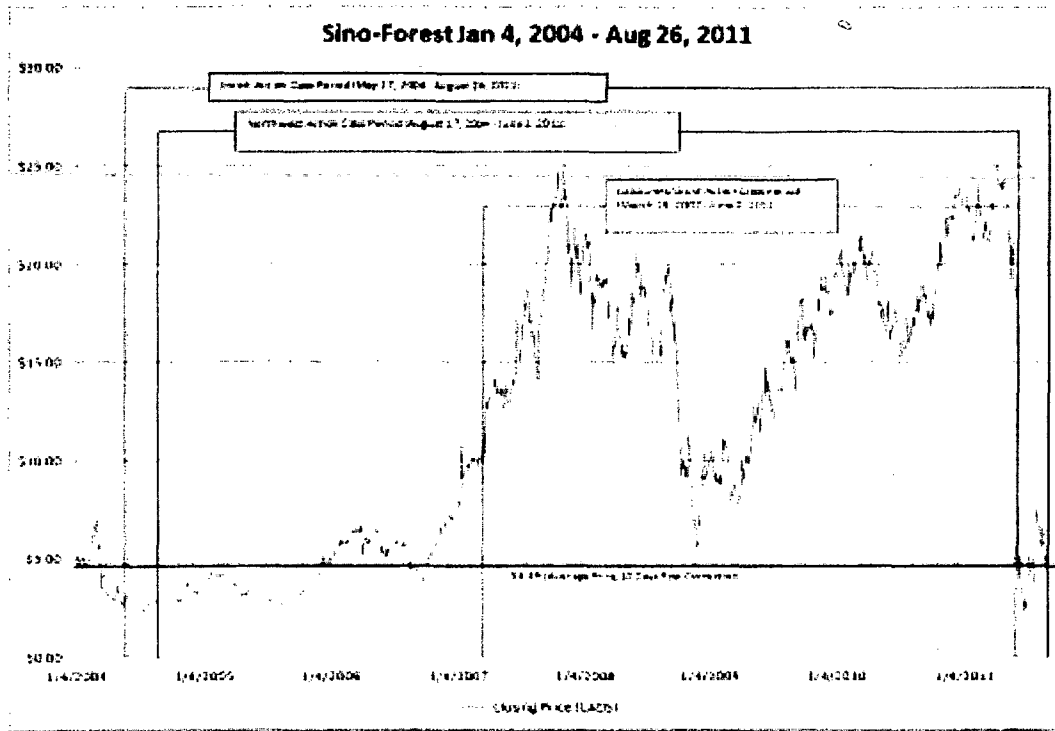
[332] I make no order as to costs, which is in the usual course in carriage motions.

Perell, J.

Released: January 6, 2012

SCHEDULE "A"

Sino-Forest Jan 4, 2004 - Aug 26, 2011



2012 ONSC 24 (CanLII)

CITATION: Smith v Sino-Forest Corporation, 2012 ONSC24
COURT FILE NO.: 11-CV-428238CP
COURT FILE NO.: 11-CV-431153CP
COURT FILE NO.: 11-CV-435826CP
DATE: January 6, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

Douglas Smith and Zhongjun Goa

Plaintiff

- and -

Sino-Forest Corporation et al.

Defendants

AND BETWEEN:

**The Trustees of the Labourers' Pension Fund
of Central and Eastern Canada and the
Trustees of the International Union of
Operating Engineers Local 793 Pension Plan
for Operating Engineers in Ontario**

Plaintiff

- and -

Sino-Forest Corporation et al.

Defendants

AND BETWEEN:

**Northwest & Ethical Investments L.P., Comité
Syndical National de Retraite Bâtirente Inc.**

Plaintiff

- and -

Sino-Forest Corporation et al.

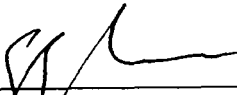
Defendants

REASONS FOR DECISION

Perell, J.

2012 ONSC 24 (CanLII)

This is Exhibit "E" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

**The Trustees of the Labourers' Pension
Fund of Central and Eastern Canada et al
v Sino-Forest Corporation et al
Court File No.: CV-11-431153-00CP**

**Motion Records of the Plaintiffs
Motion to Approve Funding Agreement**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL
UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON,
DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE,
EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)
CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC.,
TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION
SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL
LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS
CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and BANC OF AMERICA
SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**MOTION RECORD OF THE PLAINTIFFS
(Certification for Settlement Purposes
and Notice of Fairness Hearing)**

KOSKIE MINSKY LLP
900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC #: 309420)
Tel: (416) 595-2117
Fax: (416) 204-2889
Jonathan Bida (LSUC #: 54211D)
Tel: (416) 595-2072
Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

TO:

Bennett Jones LLP

1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)

Tel: (416) 777-4857

Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)

Tel: (416) 777-4879

Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray, Edmund Mak, W. Judson
Martin, Kai Kit Poon and Peter Wang

AND TO:

Wardle Daley Bernstein LLP

2404-401 Bay Street
P.O. Box 21
Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)

Tel: (416) 351-2771

Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)

Tel: (416) 351-2781

Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO: **Miller Thomson LLP**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)
Tel: 416-595-8640
Fax: 416-595-8695

Lawyers for Allen Chan

AND TO: **Osler, Hoskin & Harcourt LLP**
1 First Canadian Place, 61st Floor
Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)
Tel: (416) 862-6454
Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)
Tel: (416) 862-5988
Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO: **Lenczner Slaght Royce Smith Griffin LLP**
2600 - 130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558

Linda L. Fuerst (LSUC# 22718U)
Tel: (416) 865-3091
Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO: **Torys LLP**
 79 Wellington Street West
 Suite 3000 , Box 270, TD Centre
 Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc. and Banc of America Securities LLC

AND TO: **Affleck Greene McMurtry LLP**
 365 Bay Street, Suite 200
 Toronto ON M5H 2V1

Peter Greene

Tel: (416) 360-8767

Fax: (416) 360-5960

Mr. Kenneth Dekker

Tel: (416) 360-6902

Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO: **Baker & McKenzie LLP**
 Brookfield Place
 Bay/Wellington Tower
 181 Bay Street, Suite 2100
 Toronto ON M5J 2T3

John J. Pirie

Tel: (416) 865-2325

Fax: (416) 865-6275

David Gadsden

Tel: (416) 865-6983

Fax: (416) 865-6275

Lawyers for Pöyry (Beijing) Consulting Company Limited

TABLE OF CONTENTS

TAB	DESCRIPTION
1.	Notice of motion
2.	Affidavit of Joseph Mancinelli
	Exhibit A – summary of transactions in Sino’s shares
3.	Affidavit of Michael Gallagher
	Exhibit A – summary of transactions in Sino’s shares
4.	Affidavit of David C. Grant
	Exhibit A – trade confirmation for purchase of Sino notes
5.	Affidavit of Robert Wong
	Exhibit A – summary of transactions in Sino’s shares
6.	Affidavit of Richard Gröttheim
	Exhibit A – summary of transactions in Sino’s shares
7.	Affidavit of Daniel Bach
	Exhibit A – Proposed Fresh as Amended Statement of Claim
	Exhibit B – Spreadsheet showing Canadian stock price data for Sino’s shares from January 1, 2007 to August 25, 2011
	Exhibit C – Muddy Waters Research report dated June 2, 2011
	Exhibit D – Proposed litigation plan
	Exhibit E-1 – Certification order in <i>Silver v. Imax Corp.</i>
	Exhibit E-2 – Certification order in <i>Dobbie v. Arctic Glacier Income Fund</i>
	Exhibit F – Settlement agreement between the plaintiffs and Pöyry

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the Class Proceedings Act, 1992

**NOTICE OF MOTION
(Certification for Settlement Purposes
and Notice of Fairness Hearing)**

THE PLAINTIFFS will make a motion to the Honourable Justice Perell on April 17, 2012 at 10 a.m., at Osgoode Hall, 130 Queen Street West, Toronto Ontario.

PROPOSED METHOD OF HEARING: The motion will be heard orally.

THE MOTION IS FOR:

(a) an order certifying this action as a class proceeding for the purposes of settlement, pursuant to the *Class Proceedings Act, 1992*, S.O. 1992, c. 6, against the Defendant Poyry (Beijing) Consulting Company Limited only;

(b) an order defining the class as:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant;

(c) an order defining the common issues as:

Did the Poyry (Beijing) Consulting Company Limited make misrepresentations as alleged in this action during the class period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did class members suffer?

(d) an order appointing the plaintiffs as the representatives of the class;

(e) an order requiring the defendant Sino-Forest Corporation to deliver to the plaintiffs within ten days a list of the names and addresses of known beneficial owners of Sino-Forest securities as of June 2, 2011;

- (f) an order approving and directing the dissemination and publication of the notice of settlement approval hearing in respect of a proposed settlement between the plaintiffs and Pöyry (Beijing) Consulting Company Limited (“Pöyry”);
- (g) an order granting leave to bring this motion in advance of the motion for certification and motion for leave under section 138.8 of the *Securities Act*; and
- (h) such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

- (a) this action was commenced on July 20, 2011 under the *Class Proceedings Act, 1992*;
- (b) the plaintiffs advance statutory and common law claims against all defendants;
- (c) as against Pöyry, the plaintiffs allege: (a) negligence in connection with Sino-Forest’s share and note offerings during the class period; (b) the statutory cause of action in section 130 of the *Securities Act*, R.S.O. 1990, c.S.5 for alleged misrepresentations in Sino-Forest’s June 2009 and December 2009 prospectuses; and (c) the statutory cause of action in Part XXIII.1 of the *Securities Act* in connection with Sino-Forest’s continuous disclosure documents;
- (d) the plaintiffs and Pöyry have entered into a settlement agreement in respect of the claims against Pöyry;
- (e) the plaintiffs will bring a motion to this Honourable Court seeking approval of the settlement agreement on a date to be determined by the court;

- (f) Pöyry consents to an order for certification for the purposes of settlement, including notice to putative class members of certification and the settlement approval hearing;
- (g) the elements of the Pöyry settlement include:
 - (i) Pöyry will consent to certification;
 - (ii) Pöyry will provide material cooperation in the plaintiffs' prosecution of this action against the remaining defendants, including, providing relevant documents and if necessary, acting as a witness for the plaintiffs;
 - (iii) the action is being dismissed as against Pöyry without costs; and
 - (iv) the approval order would include bar orders to prevent future and other claims against Pöyry respect of the matters raised in this action.
- (h) the plaintiffs' claim meets the criteria for certification in section 5 of the *Class Proceedings Act, 1992* and this action should be certified for settlement purposes;
- (i) the proposed class definition uses objective criteria to determine membership in the class and is rationally linked to the proposed common issue;
- (j) the causes of action, proposed class definition and proposed common issue are substantially similar to other securities class actions certified in Ontario for the purposes of settlement;
- (k) a class proceeding is the preferable procedure for resolving the claims of class members particularly in light of the large class size, the prohibitively high cost of prosecuting individual securities actions and in the interests of judicial economy;

- (l) a class proceeding is the fairest, most efficient and manageable means of adjudicating the common issues;
- (m) the proposed representative plaintiffs can fairly and adequately represent the interests of the class and there is no conflict of interest;
- (n) all of the plaintiffs except David Grant purchased Sino-Forest shares on the Toronto Stock Exchange;
- (o) the Trustees of the Labourers' Pension Fund of Central and Eastern Canada and Robert Wong purchased Sino-Forest shares as part of Sino-Forest's December 2009 prospectus offering;
- (p) David Grant purchased Sino-Forest notes as part of Sino-Forest's October 2010 note offering;
- (q) the plaintiffs propose to provide notice of certification and the settlement approval hearing by posting it on class counsel's and other websites, direct mailings to class members, forwarding the notice to brokers and newspaper notice;
- (r) direct mailings can only occur if Sino-Forest provides information regarding the names and addresses of class members;
- (s) Sino-Forest has this information available for shareholders as it is required by the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 to periodically send materials to its shareholders, such as shareholder meeting materials;

- (t) The Trustees of the International Union Of Operating Engineers Local 793 Pension Plan For Operating Engineers are current Sino-Forest shareholders and, in accordance with section 21 of the *Canada Business Corporations Act* are entitled to a list “setting out the names of the shareholders of the corporation, the number of shares owned by each shareholder and the address of each shareholder as show on the records of the corporation”;
- (u) Sino-Forest also has information regarding the class members that held notes during the class period;
- (v) for example, the December 2009 offering memorandum (p.161) provides that in the event of a fundamental change, Sino-Forest shall mail a notice of such change to all noteholders “at their address shown in the register of the Registrar” and to the beneficial owners”; and
- (w) such further and other grounds as this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) the affidavit of Joseph Mancinelli;
- (b) the affidavit of Michael Gallagher;
- (c) the affidavit of David Grant;
- (d) the affidavit of Robert Wong;
- (e) the affidavit of Richard Gröttheim;

- (f) the affidavit of Daniel Bach; and
- (g) such further and other material as counsel may advise and this Honourable Court may permit.

April 2, 2012

KOSKIE MINSKY LLP
Barristers & Solicitors
900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC #: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Bida (LSUC#: 54211D)
Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754
A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

TO **Bennett Jones LLP**
1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)

Tel: (416) 777-4857

Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)

Tel: (416) 777-4879

Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray, Edmund Mak, W. Judson
Martin, Kai Kit Poon and Peter Wang

AND TO: **Wardle Daley Bernstein LLP**
2404-401 Bay Street, P.O. Box 21
Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)

Tel: (416) 351-2771

Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)

Tel: (416) 351-2781

Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO **Miller Thomson LLP**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)

Tel: 416-595-8640

Fax: 416-595-8695

Lawyers for Allen Chan

AND TO Osler, Hoskin & Harcourt LLP
1 First Canadian Place, 61st Floor
Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)

Tel: (416) 862-6454

Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)

Tel: (416) 862-5988

Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO Lenczner Slaght Royce Smith Griffin LLP
2600 - 130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)

Tel: (416) 865-2921

Fax: (416) 865-3558

Peter Osborne (LSUC# 33420C)

Tel: (416) 865-3094

Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO Torys LLP
79 Wellington Street West
Suite 3000 , Box 270, TD Centre
Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc of America Securities LLC

AND TO Affleck Greene McMurtry LLP
365 Bay Street, Suite 200
Toronto ON M5H 2V1

Peter Greene

Tel: (416) 360-8767

Fax: (416) 360-5960

Kenneth Dekker

Tel: (416) 360-6902

Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO Baker & McKenzie LLP
Brookfield Place
Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto ON M5J 2T3

John J. Pirie

Tel: (416) 865-2325

Fax: (416) 865-6275

David Gadsden

Tel: (416) 865-6983

Fax: (416) 865-6275

Lawyers for Pöyry (Beijing) Consulting Company Limited

The Trustees of the Labourer's Pension Fund of Central and Eastern Canada, et al.
Plaintiffs

and Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**NOTICE OF MOTION
(Certification for Settlement Purposes
and Notice of Fairness Hearing)**

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753
Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT
and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN,
KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC
WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JOSEPH MANCINELLI

I, **JOSEPH MANCINELLI**, of the City of Hamilton, in the Province of Ontario,

MAKE OATH AND SAY:

1. I am the chair of the Board of Trustees of the Labourers' Pension Fund of Central and Eastern Canada (the "Labourers Fund"), one of plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Michael Mazzuca of Koskie Minsky LLP,

counsel to the Labourers Fund, and Janet Rabovsky of Towers Watson, investment counsel to the Labourers Fund, and I believe that such information is true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

THE LABOURERS' FUND

4. The Labourers Fund was established February 23, 1972. It is a specified multi-employer pension plan registered with the Financial Services Commission on Ontario, No. 573188, and is regulated by the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada). It was established by the Labourers International Union of North America ("LIUNA"), pursuant to collective agreements between LIUNA and construction industry employer associations and individual employers that provide for contributions to the fund. The Labourers Fund is administered by a board of trustees.

5. The Labourers Fund has approximately 37,500 members and more than 14,600 pensioners, primarily in Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador. The Labourers Fund has approximately 2,000 unrelated participating employers. The Labourers Fund has more than \$2.5 billion in assets.

6. The trustees are all union representatives with extensive experience in commercial and labour matters, and with the assistance of legal and financial advisors, regularly deal with contentious matters and litigation. We are also familiar with working in a regulatory

environment, given the extensive regulation of pension plans under the *Pension Benefits Act* (Ontario) and *Income Tax Act* (Canada).

NATURE OF THE ACTION

7. This action was commenced on July 20, 2011 against Sino-Forest Corporation (“Sino”) and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol “TRE”.

8. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino’s securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino’s securities traded at artificially inflated prices.

9. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it “massively exaggerates its assets”. This was followed by a significant decline Sino-Forest’s share price. As set out below, the trustees of the Labourers Fund held 128,700 shares at the time of this report.

10. The trustees brought this action because of the Labourers Fund’s investment losses and because of their concern that public markets remain healthy and transparent. While cases such this are relatively rare, the trustees, as part of their ongoing fiduciary responsibilities, will consider pursuing cases in which we believe an individual or company has committed fraud or made misrepresentations to investors and a loss to the fund has resulted.

11. In addition, this action is brought against Sino’s professional advisors such as BDO Limited, Ernst & Young LLP and various underwriting banks. The trustees consider it

important that the professionals who serve companies like Sino – and whose professional opinion investors rely on – be held accountable for their role in any misconduct.

12. The trustees chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses of the Labourers Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Michael Mazzuca of Koskie Minsky LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

13. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. Some investors, such as my co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. They could not afford it, and for those that can, such as the Labourers Fund, it would not make financial sense to do so.

LABOURERS FUND'S INVESTMENT IN SINO-FOREST CORPORATION

14. The trustees purchased Sino shares between December 2009 and June 2011. Most of these purchasers were made in the secondary market over the Toronto Stock Exchange. I am advised by Janet Rabovsky of Towers Watson and I believe that the following reflects the trustees' transactions in Sino shares.

15. The trustees invested in Sino shares through two asset managers: Fiera Sceptre Inc. and TD Asset Management Inc. ("TDAM"). The plan's assets were invested on a segregated fund basis by Fiera Sceptre and on a pooled fund basis by TDAM.

16. On December 11, 2009, the trustees purchased 32,300 shares at a cost of \$16.80 per share in a primary market distribution pursuant to the Final Short Form Prospectus dated December 10, 2009. This trade was placed through Credit Suisse and settled on December 17, 2009.

17. The trustees held a total of 128,700 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,343,627 at the close of trading on June 1, 2011. On June 2 and 3, 2011, the trustees sold their holdings for net proceeds of \$695,993.96. Attached and marked as **Exhibit "A"** is a summary of the trustees' transactions in Sino's shares.

18. The trustees also purchased units in two pooled funds managed by TDAM that held Sino-Forest shares. On May 31, 2011 the trustees held \$367,000,000 in these pooled funds. On the same date, the pooled funds had invested approximately 0.38% of the funds in shares of Sino. The trustees' holdings of Sino were valued at approximately \$1,386,104. As of June 30, 2011, the value of Sino shares in the pooled funds fell to 0.08% of the total assets of the pooled fund and the trustees' holdings of Sino had a value of approximately \$291,811.

ACTING AS REPRESENTATIVE PLAINTIFF

19. I and the other trustees of the Labourers Fund are prepared to act as representative plaintiffs in this class action. I understand that as representative plaintiffs we would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to the losses of the Labourers Fund, but must relate to the claims of the class members as a whole.

20. The trustees seek to represent the following persons as class members in this action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

21. Counsel for the trustees and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. Michael Mazzuca of Koskie Minsky LLP has provided the trustees with frequent updates regarding this class action.

22. Michael Mazzuca of Koskie Minsky LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my and the other trustees' ability to fairly and adequately represent the class will be in issue;

- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and our counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to the trustees and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

23. I understand that as representative plaintiffs the trustees would have, among others, the following responsibilities:

- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize ourselves with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;

- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that the Labourers Fund has in its possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express the trustees' views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

24. The trustees of the Labourers Fund are committed to actively directing this litigation and maximizing the recovery for the class. The trustees have been advised by Michael Mazzuca and accept that we owe a duty to all members of the proposed class to provide fair and adequate representation. The trustees intend to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

25. The trustees of the Labourers Fund have acted as plaintiff in several securities class actions and understand the obligations of a representative plaintiff to act on behalf of a class of investors in public markets. The trustees act or acted as plaintiffs in class actions commenced in the United States against *Fortis et al.*, *Pitney Bowes Inc. et al.*, *Synovus Financial Corp. et al.* and *Gammel v. Hewlett-Packard Company et al.* Those actions, much as this action, involve allegations of misrepresentation in the statements and filings of public issuers.

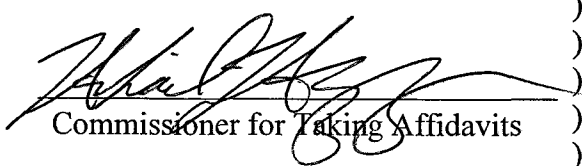
26. I believe that I and the other trustees can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

LITIGATION PLAN

27. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I and the other trustees do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

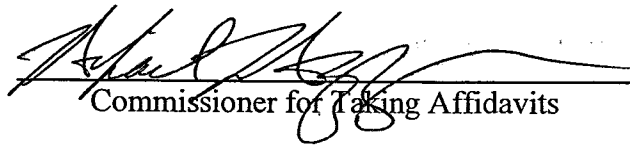
28. I am not aware of a conflict of interest between the trustees and the proposed class members with respect any issues in this case.

SWORN before me at the City of)
Hamilton, on March 27 2012.)


Commissioner for Taking Affidavits)


JOSEPH MANCINELLI

**EXHIBIT "A" TO THE AFFIDAVIT OF JOSEPH S. MANCINELLI
SWORN BEFORE ME, THIS 22nd DAY OF MARCH, 2012**


Commissioner for Taking Affidavits

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
11-Dec-09	Buy	6,500	\$17.443
11-Dec-09	Buy	6,500	\$17.351
11-Dec-09	Buy	6,500	\$17.329
11-Dec-09	Buy	13,000	\$17.203
11-Dec-09	Buy	11,800	\$17.250
11-Dec-09	Buy	32,300	\$16.800
18-Dec-09	Buy	8,300	\$17.260
18-Dec-09	Buy	8,800	\$17.250
04-Jan-10	Sell	6,900	\$19.694
12-Jan-10	Sell	10,700	\$21.104
17-Feb-10	Sell	11,700	\$19.775
18-Mar-10	Buy	9,300	\$19.487
29-Mar-10	Buy	18,400	\$19.000
01-Apr-10	Sell	7,300	\$20.065
01-Apr-10	Sell	5,900	\$20.086
16-Apr-10	Sell	35,600	\$19.846
19-Apr-10	Sell	16,000	\$19.781
04-May-10	Sell	4,900	\$17.880
05-May-10	Sell	6,100	\$17.628
05-May-10	Sell	5,700	\$17.533
05-May-10	Sell	10,600	\$17.780
08-Jul-10	Buy	17,800	\$15.600
08-Jul-10	Buy	27,900	\$15.500
09-Jul-10	Buy	4,700	\$15.825
09-Jul-10	Buy	100	\$15.960
12-Jul-10	Buy	2,500	\$16.038
13-Jul-10	Buy	14,400	\$16.000
13-Jul-10	Buy	5,900	\$16.000
28-Sep-10	Buy	13,200	\$16.852
28-Sep-10	Buy	8,700	\$16.870
01-Oct-10	Buy	9,300	\$17.200
14-Oct-10	Sell	4,900	\$19.279

14-Oct-10	Sell	10,200	\$19.360
21-Oct-10	Sell	1,300	\$20.419
04-Nov-10	Buy	5,000	\$21.378
04-Nov-10	Buy	3,300	\$21.378
05-Nov-10	Buy	8,300	\$21.420
05-Nov-10	Buy	5,900	\$21.280
10-Nov-10	Buy	7,500	\$22.097
10-Nov-10	Buy	1,300	\$22.000
13-Dec-10	Sell	8,400	\$24.140
20-Jan-11	Sell	4,200	\$21.602
20-Jan-11	Sell	2,900	\$21.602
21-Jan-11	Sell	3,100	\$21.750
21-Jan-11	Sell	200	\$21.623
03-Feb-11	Sell	7,000	\$22.800
08-Feb-11	Sell	2,500	\$24.490
08-Feb-11	Sell	5,400	\$24.485
08-Feb-11	Sell	800	\$24.500
18-Feb-11	Sell	6,900	\$22.493
18-Feb-11	Sell	3,200	\$22.493
15-Mar-11	Buy	10,500	\$21.273
15-Mar-11	Buy	2,900	\$21.228
15-Mar-11	Buy	1,200	\$21.750
15-Mar-11	Buy	6,500	\$21.786
18-Mar-11	Buy	3,300	\$23.196
18-Mar-11	Buy	5,700	\$23.150
30-Mar-11	Sell	9,500	\$24.990
31-Mar-11	Sell	2,300	\$25.790
31-Mar-11	Sell	3,600	\$25.790
07-Apr-11	Sell	300	\$24.790
07-Apr-11	Sell	100	\$24.760
11-Apr-11	Sell	2,200	\$24.083
12-Apr-11	Sell	4,000	\$23.658
14-Apr-11	Sell	8,900	\$24.000
14-Apr-11	Sell	8,500	\$24.300

11-May-11	Sell	1,100	\$21.821
13-May-11	Buy	9,400	\$19.550
13-May-11	Buy	4,800	\$19.550
13-May-11	Buy	4,100	\$19.550
13-May-11	Buy	12,200	\$19.499
16-May-11	Buy	8,000	\$19.750
18-May-11	Sell	5,300	\$20.820
18-May-11	Sell	3,800	\$20.820
25-May-11	Buy	12,800	\$19.160
25-May-11	Buy	4,000	\$19.123
25-May-11	Buy	4,600	\$19.140
27-May-11	Buy	4,600	\$17.800
27-May-11	Buy	2,300	\$17.800
30-May-11	Buy	2,300	\$18.810
30-May-11	Buy	1,500	\$18.769
30-May-11	Buy	2,800	\$18.730
02-Jun-11	Sell	300	\$13.813
03-Jun-11	Sell	8,900	\$5.007
03-Jun-11	Sell	17,700	\$5.375
03-Jun-11	Sell	22,200	\$5.321
03-Jun-11	Sell	48,700	\$5.319
03-Jun-11	Sell	21,700	\$5.701
03-Jun-11	Sell	8,800	\$6.024
03-Jun-11	Sell	400	\$5.230

TRUSTEES OF THE LABOURERS' and SINO-FOREST CORPORATION *et al.*
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Court File No: CV-11-431153-00CP

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JOSEPH MANCINELLI

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Bida (LSUC#: 54211D)
Tel: 416-595.2072
Fax: 416.204.2907

Lawyers for the plaintiffs

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND
EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF
OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT
and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO MCCABE LO LIMITED), ALLEN T. Y. CHAN, W. JUDSON MARTIN,
KAI KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC
WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC, and BANC OF AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

I, MICHAEL GALLAGHER, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the chair of the Board of Trustees of the International Union of Operating Engineers Local 793 Pension Plan (the "OE Fund"), one of the plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have been informed by Mark Zigler of Koskie

Minsky LLP, counsel to the OE Fund, and Chris Brisebois of Eckler Ltd., actuaries and investment counsel to the OE Fund, and I believe that such information is true.

2. I swear this affidavit in support of the plaintiffs' motion for leave to amend the statement of claim in this action to advance the causes of action under Part XXIII.1 of the Ontario *Securities Act* and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

THE OE FUND

4. I have been a member of the OE Fund since May 31, 1985 and a Trustee since April 8, 1997. The OE Fund was established November 1, 1973. It is a specified multi-employer pension plan registered with the Financial Services Commission on Ontario, No. 3890890 and is regulated by the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada). The OE Fund was established pursuant to collective agreements between Local 793 and employer associations and individual employers. The OE Fund is administered by a board of trustees.

5. The OE Fund has approximately 8,487 members in active employment and 12,380 retired, inactive and deferred vested members. The OE Fund has approximately 1,001 participating employers. The OE Fund has approximately \$1.5 billion in assets.

6. The trustees are all either union representatives or negotiators or representatives of management with extensive experience in commercial and labour matters, and with the assistance of legal and financial advisors, regularly deal with contentious matters and litigation. We are also familiar with working in a regulatory environment, given the extensive

regulation of pension plans under the *Pension Benefits Act* (Ontario) and *Income Tax Act* (Canada).

NATURE OF THE ACTION

7. This action was commenced on July 20, 2011 against Sino-Forest Corporation (“Sino”) and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol “TRE”.

8. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino’s securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino’s securities traded at artificially inflated prices.

9. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it “massively exaggerates its assets”. This was followed by a significant decline Sino-Forest’s share price. As set out below, the trustees of the OE Fund held 324,100 shares at the time of this report.

10. The trustees brought this claim to recover investor losses, including those of the OE Fund, and in the interests of proper disclosure from issuers. The trustees have a strong interest in the health and proper function of the Canadian capital markets.

11. The alleged conduct in this action undermines the confidence in and proper functioning of capital markets in Canada.

12. The trustees chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses of the OE Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Mark Zigler of Koskie Minsky LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

13. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. Some investors, such as my co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. They could not afford it, and for those that can, such as the OE Fund, it would not make financial sense to do so.

OE FUND'S INVESTMENT IN SINO-FOREST CORPORATION

14. The trustees invested in Sino shares through four asset managers: McLean Budden Ltd., Morrison Williams Investment Management Ltd., Greystone Managed Investment Inc., and TD Asset Management Inc. ("TDAM"). I am advised by Chris Brisebois of Eckler Ltd. and I believe that the following reflects the trustees' transactions in Sino shares. Attached and marked as **Exhibit "A"** is a summary of these transactions in Sino's shares.

15. The fund's assets were invested on a segregated fund basis by Morrison Williams, Greystone and McLean Budden, and on a pooled fund basis by TDAM.

16. On the trustees' behalf, McLean Budden purchased 42,000 Sino shares between February 1, 2011 and May 24, 2011, which had a market value of \$18.21 per share or

\$764,820 at the close of trading on June 1, 2011. The trustees sold their holdings on June 21, 2011 at a share price of \$1.84 for net proceeds \$77,170.80.

17. On the trustees' behalf, Morrison Williams purchased 181,700 Sino shares between January 20, 2011 and June 1, 2011, which had a market value of \$18.21 per share or \$3,308,757 at the close of trading on June 1, 2011. The trustees sold their holdings on June 3, 2011 at an average share price of \$5.147 for net proceeds of \$1,524,026.70.

18. On the trustees' behalf, Greystone purchased 100,400 Sino shares between July 5, 2007 and May 26, 2011, which had a market value of \$18.21 per share or \$1,828,384 at the close of trading on June 1, 2011. The trustees sold many of these shares in July and August and continue to hold approximately 37,350 Sino shares. The market price for these shares at the imposition of the cease-trade order by the Ontario Securities Commission on August was \$4.91.

19. The trustees also purchased units of a pooled fund managed by TDAM that held Sino shares between June 15, 2007 and June 9, 2011.

ACTING AS REPRESENTATIVE PLAINTIFF

20. I and the other trustees of the OE Fund are prepared to act as representative plaintiffs in this class action. I understand that as representative plaintiffs we would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to the losses of the OE Fund, but must relate to the claims of the class members as a whole.

21. The trustees seek to represent the following persons as class members in this action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

22. Counsel for the trustees and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. Mark Zigler of Koskie Minsky LLP has provided the trustees with frequent updates regarding this class action.

23. Mark Zigler of Koskie Minsky LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my and the other trustees' ability to fairly and adequately represent the class will be in issue;

- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and our counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to the trustees and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

24. I understand that as representative plaintiffs the trustees would have, among others, the following responsibilities:

- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize ourselves with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;

- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that the OE Fund has in its possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express the trustees' views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

25. The trustees of the OE Fund are committed to actively directing this litigation and maximizing the recovery for the class. The trustees have been advised by Mark Zigler and accept that we owe a duty to all members of the proposed class to provide fair and adequate representation. The trustees intend to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

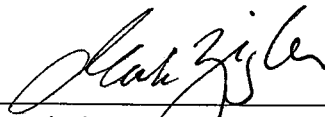
26. I believe that I and the other trustees can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

LITIGATION PLAN

27. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I and the other trustees do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

28. I am not aware of a conflict of interest between the trustees and the proposed class members with respect to any issues in this case.

SWORN before me at the City of)
Oakville, on March 19, 2012.)

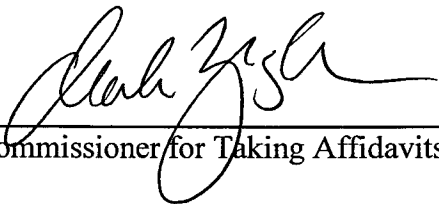


Commissioner for Taking Affidavits)
Max Zigler)



MICHAEL GALLAGHER

**EXHIBIT "A" TO THE AFFIDAVIT OF MICHAEL GALLAGHER
SWORN BEFORE ME, THIS 19 DAY OF MARCH, 2012**



Commissioner for Taking Affidavits

Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
McLean Budden			
01-Feb-11	Buy	5,700	\$22.2215
02-Feb-11	Buy	2,500	\$22.7232
03-Feb-11	Buy	2,800	\$22.7766
04-Feb-11	Buy	2,700	\$23.2396
07-Feb-11	Buy	2,000	\$23.8432
08-Feb-11	Buy	8,800	\$24.4734
08-Feb-11	Buy	1,500	\$24.55
17-May-11	Buy	300	\$20.48
17-May-11	Buy	3,500	\$20.6637
18-May-11	Buy	2,500	\$20.8238
18-May-11	Buy	400	\$20.79
19-May-11	Buy	500	\$20.9666
19-May-11	Buy	1,900	\$21.0764
20-May-11	Buy	4,500	\$20.4702
24-May-11	Buy	2,400	\$19.4105
21-Jun-11	Sell	42,000	\$1.8407
Morrison Williams			
20-Jan-11	Buy	181,700	\$21.535
14-Mar-11	Buy	83,800	\$21.526
15-Mar-11	Buy	30,600	\$21.616
3-Jun-11	Sell	296,100	\$5.147
Greystone			
05-Jul-07	Buy	800	\$17.1374
06-Jul-07	Buy	700	\$17.0498
09-Jul-07	Buy	200	\$17
10-Jul-07	Buy	1800	\$17.042
11-Jul-07	Buy	300	\$17.25
16-Jul-07	Buy	400	\$17.6
17-Jul-07	Buy	900	17.7783

18-Jul-07	Buy	3900	17.9749
18-Jul-07	Buy	300	17.8849
20-Jul-07	Buy	2700	18.8874
23-Jul-07	Buy	600	18.4758
24-Jul-07	Buy	600	18.0999
25-Jul-07	Buy	1000	17.3125
26-Jul-07	Buy	700	16.7498
27-Jul-07	Buy	2200	17.098
30-Jul-07	Buy	3200	17.1184
31-Jul-07	Buy	5000	17.171
01-Aug-07	Buy	600	15.9966
02-Aug-07	Buy	200	16.05
03-Aug-07	Buy	400	16.05
07-Aug-07	Buy	600	15.4422
09-Aug-07	Buy	1000	15.7949
10-Aug-07	Buy	1200	14.9193
10-Aug-07	Buy	1000	15.2581
13-Aug-07	Buy	1000	15.0395
14-Aug-07	Buy	800	15.1954
15-Aug-07	Buy	800	14.9744
16-Aug-07	Buy	4600	13.8702
17-Aug-07	Buy	2250	13.9638
20-Aug-07	Buy	800	14.0159
21-Aug-07	Buy	2200	13.9995
22-Aug-07	Buy	300	14.3237
23-Aug-07	Buy	1400	16.1001
24-Aug-07	Buy	450	16.9357
29-Aug-07	Buy	1000	17.4422
30-Aug-07	Buy	600	17.5898
04-Sep-07	Buy	5200	18.23
10-Sep-07	Buy	1000	18.85
26-Sep-07	Buy	1600	22.2955

27-Sep-07	Buy	1200	21.8191
02-Oct-07	Buy	800	23.2441
03-Oct-07	Buy	5430	23.1858
04-Oct-07	Buy	2300	23.165
11-Oct-07	Buy	3970	24.7695
23-Oct-07	Sell	2700	22.4873
22-Jan-08	Buy	2900	15.9431
28-Jan-08	Sell	700	17.711
26-Feb-08	Sell	270	19.1641
04-Mar-08	Sell	1200	18.9003
20-Mar-08	Buy	2200	14.9113
04-Apr-08	Sell	2700	17.5524
21-Apr-08	Sell	1200	15.3125
22-Apr-08	Sell	600	15.2969
21-May-08	Sell	860	18.0225
22-May-08	Sell	840	17.99
08-Jul-08	Buy	1400	16.4677
11-Aug-08	Buy	1720	14.9995
12-Aug-08	Buy	130	16.4084
13-Aug-08	Buy	2100	17.5051
20-Aug-08	Buy	320	18.8381
21-Aug-08	Buy	1380	19.4353
10-Sep-08	Buy	1740	17.7225
11-Sep-08	Buy	880	18.0153
07-Oct-08	Buy	3260	10.7574
14-Oct-08	Buy	1900	10.6571
15-Oct-08	Buy	4700	9.9627
18-Nov-08	Buy	2400	6.6901
21-Nov-08	Buy	1700	5.6527
25-Feb-09	Buy	4100	8.9626
26-Feb-09	Buy	1400	8.9057
21-May-09	Sell	1600	12.6417

02-Jun-09	Sell	1700	13.256
06-Oct-09	Sell	1200	16.5709
18-Feb-10	Buy	2900	20.2981
13-May-10	Sell	1700	18.3831
09-Jun-10	Buy	1000	16.4574
20-Jul-10	Buy	1500	16.1303
08-Sep-10	Sell	1300	18.7328
07-Oct-10	Sell	4800	17.3474
09-Nov-10	Sell	1600	22.262
04-Feb-11	Sell	1660	22.9815
16-Mar-11	Buy	1400	21.9237
05-May-11	Buy	700	21.268
26-May-11	Buy	17300	18.4451
6-Jul-11	Sell	22800	4.7579
26-Jul-11	Sell	17,900	7.4341
27-Jul-11	Sell	3,100	7.5853
26-Aug-11	Sell	16,310	1.72

TRUSTEES OF THE LABOURERS' and
PENSION FUND OF CENTRAL AND
EASTERN CANADA *et al.*

Plaintiffs

SINO-FOREST CORPORATION *et al.*

Defendants

Court File No: CV-11-431153-00CP

40

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Bida (LSUC#: 54211D)
Tel: 416-595.2072
Fax: 416.204.2907

Lawyers for the plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DAVID C. GRANT

**I, DAVID C. GRANT, of the City of Calgary, in the Province of Alberta, MAKE
OATH AND SAY:**

1. I am a plaintiff in this action and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE". Sino also had a number of offerings of notes in the last few years.

5. In this action, I and the other plaintiffs allege, on our own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities, including its notes, traded at artificially inflated prices.

6. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino's share price . I held 100 Guaranteed Senior Notes of Sino at the time and continue to hold those notes. I had purchased these notes on October 21, 2010 at a price of US \$101.50 per note as part of Sino's October note offering. I understand that the value of my notes has declined significantly. Attached and marked as **Exhibit "A"** is the trade confirmation.

7. I am pursuing this action to recover my investment losses, to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

8. I chose to advance this action as a class proceeding as I can neither afford nor justify pursuing this securities action individually. I invested \$10,150 in Sino. I am advised by Daniel Bach of Siskinds LLP and I believe that prosecuting this action as an individual action could involve hundreds of thousands of dollars in legal fees and expert costs. Even if it could be prosecuted for tens of thousands of dollars, it simply would not be justifiable given my losses. A class action is the only realistic context in which I and other small investors will recover our losses.

ACTING AS REPRESENTATIVE PLAINTIFF

9. I am prepared to act as a representative plaintiff in this class action. I understand that as representative plaintiff I would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to my losses, but must relate to the claims of the class members as a whole.

10. I and the other plaintiffs seek to represent the following persons as class members in this action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

11. Counsel for I and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. A. Dimitri Lascaris and other lawyers at Siskinds LLP have provided me with frequent updates regarding this class action.

12. Daniel Bach of Siskinds LLP has explained the major steps in a class action, which I understand include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which relate to the claims of class members that purchased shares on the secondary market (e.g. Toronto Stock Exchange);
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and my counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;

- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to me and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

13. I understand that as a representative plaintiff I would have, among others, the following responsibilities:

- (a) review and keep myself informed of the steps in this litigation;
- (b) familiarize myself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that I have in my possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express my views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

14. I am committed to actively directing this litigation and maximizing the recovery for the class. I am advised by Daniel Bach and I understand that I owe a duty to all members of the proposed class to provide fair and adequate representation. I intend to work with my co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

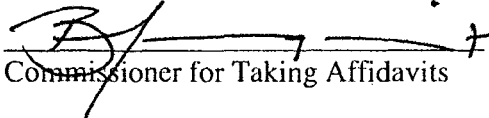
15. I believe that I can fairly and adequately represent the interests of class members and I am committed to fulfilling my obligations as their representative.

LITIGATION PLAN

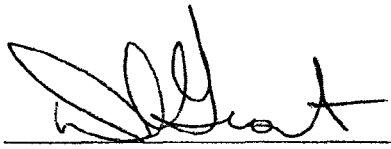
16. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of my lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but my lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from my lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

17. I am not aware of a conflict of interest between me and the proposed class members with respect any issues in this case.

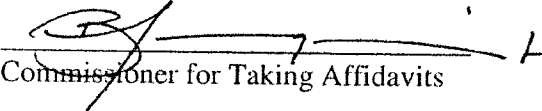
SWORN BEFORE ME at the City of
Calgary, on March 30, 2012.


Commissioner for Taking Affidavits

Brett Turnquist
Student-At-Law


DAVID C. GRANT

This is Exhibit "A" mentioned and referred to in the Affidavit of David C. Grant, sworn before me at the City of Calgary, on March 30, 2012.


Commissioner for Taking Affidavits

Brett Turnquist
Student-At-Law

00000621

DUNDEEWEALTH

DUNDEE SECURITIES CORPORATION
1 ADELAIDE STREET EAST, SUITE 2700
TORONTO, ONTARIO M5C 2V9



CON_5_1021_00000621

MR DAVID GRANT
713 CIMARRON CLOSE
OKOTOKS AB
T1S 1X3 CAN

TRADE CONFIRMATION

Thank you for choosing Dundee for your financial and investment needs

We confirm the following transaction(s) subject to the agreement on the reverse side.

We suggest the retention of this contract for Income Tax purposes.

Your Investment Advisor

Afif Jawad
Telephone: (780) 443-7777
Email: ajawad@dundeewealth.com

Trade Confirmation

Client Name		Account Type	Account #
MR DAVID GRANT		CASH RRSP	14A182SN
We confirm you	Security description	Trade Date	Settlement Date
BOUGHT	SINO-FOREST CORPORATION GTD SR NT 6.25% 21OCT2017	OCTOBER 21, 2010	OCTOBER 21, 2010

AS PRINCIPALS, WE CONFIRM THE FOLLOWING SALE TO YOU

Other information

Exchange Rate: 1.0218

References

Representative		
Afif Jawad		
Security Symbol	Advisor Code	
C83912AF9	BVE5	
Trade #	Our Role	CUSIP
21796	Principal	C83912AF9
Description	Amount	

Trade Activity

# Shares/Units	Price
10000	\$101.5000

GROSS AMOUNT	\$10,150.00
EXCHANGE	\$224.27
Net Amount	\$10,371.27 CAD

Please indicate your account number on all documents and instructions sent to us.



October 21, 2010

Alberta
OPERATOR'S LICENCE



GRANT, David C

No: 72296-171
Class: 5
Cond/End:
Expires: 28 JAN 2014


GRANT, David C
713 Cimarron Close
Okotoks AB T1S 1X3

Sex: M DOB: 28 JAN 1966
Eyes: Blue Hair: Brown
Ht: 173 cm Wt: 88 kg

Issued: 11 JUL 2009

000017109




GRANT, David C

00228700007818190

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

50

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF DAVID C. GRANT

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072

Fax: 416.204.2907

Lawyers for the plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ROBERT WONG

I, ROBERT WONG, of the City of Kincardine, in the Province of Ontario, MAKE
OATH AND SAY:

1. I am a plaintiff in this action have I have knowledge of the matters herein deposed.
Where I make statements in this affidavit that are not within my personal knowledge, I have
indicated the source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

NATURE OF THE ACTION

4. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".

5. In this action, I and the other plaintiffs allege, on our own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

6. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino's share price . As set out below, I was a shareholder of Sino-Forest Corporation from July 2002 to June 2011. By June 1, 2011, I continued to own 508,700 Sino-Forest shares having at that time a market value of approximate \$9.4 million. On June 3, 2011 and June 10, 2011, following the allegations against Sino-Forest, I sold all of my shares for total proceeds of approximately \$2.8 million.

7. I am pursuing this action to recover my investment losses, to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

8. My losses from investing in Sino have been devastating for me. While I was a shareholder of Sino, the vast majority of my net worth derived from my investment in Sino.

9. I chose to advance this action as a class proceeding because of the significant costs of prosecuting a securities action on this scale. I had significant losses. However, the legal and expert costs of advancing this action on my own would be significant and could approach a significant proportion of my losses. I am advised by Daniel Bach of Siskinds LLP and I believe that these costs could be over a million dollars, particularly as I held shares over a long period of time. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Mr. Bach and I believe that adverse cost awards after a trial could be in the millions of dollars.

MY INVESTMENT IN SINO-FOREST CORPORATION

10. I am an electrical engineer by profession and a retired member of the Professional Engineers of Ontario. I am of Chinese original and I speak English and Cantonese fluently. I am also able to read Chinese.

11. I first became a Sino shareholder on July 29, 2002 when I purchased approximately 15,000 Sino shares over the Toronto Stock Exchange. I was a Sino shareholder continuously from that time until June 10, 2011, when I disposed of my last shares of Sino.

12. I purchased hundreds of thousands of Sino shares, many of which I acquired during the proposed class period in this action. In early September 2008, I owned 1,371,500 Sino shares having then a market value of approximately \$26.1 million.

13. On June 2, 2011, I held 518,700 Sino shares with a market value of \$9.4 million. 30,000 of the Sino shares I then owned were purchased at a price of \$16.80 per share as part of Sino's December 2009 share offering.

14. On June 3, 2011 and June 10, 2011, after I learned of the serious allegations against Sino, I sold all of my shares for a total proceedings of \$2.8 million. This included the 30,000 shares I purchased as part of the December 2009 share offering. Attached and marked as **Exhibit "A"** is a summary of my purchases and sales of Sino shares.

15. I reviewed many of the public filings that Sino prepared during the time that I was a shareholder. I expected and believed that Sino's disclosure documents were materially accurate and complete. I would never have invested in Sino had I believed that its disclosure documents were unreliable or that its financial statements were not prepare in accordance with generally accepted accounting principles (GAAP).

16. I investigated the business and affairs of Sino not only by reviewing its disclosure documents, but also by visiting some of Sino's facilities in China. In March 2005, I travelled to Hogn Kong and China in part to examine Sino's operations in China. I advised Sino officials of my trip before I went. When I was in Hong Kong, a Sino vice-president, Samuel Hui, and a research director met me outside my hotel. They took me to a Sino research plantation in the town of Heyuan in the province of Guangdong in China. I spent the afternoon at this facility. I then travelled to other locations where Sino purported to have manufacturing facilities or plantations. These included Gaoyao, the site of a Sino particle

board factory, Wuzhou, an inland port of Xijiang (West River) in Guangxi Province, Yulin, the purported location of a tree plantation, Nanning, the capitol of Guangxi Province and the purported site of a Sino tree plantation, Kunming, the capitol of Yunnan Province, Chengdu, the capitol of Sichuan, Chongqing, a major city in central China, and Guangzhou, the capitol of Guangdong Province.

ACTING AS REPRESENTATIVE PLAINTIFF

17. I am prepared to act as a representative plaintiff in this class action. I understand that as representative plaintiff I would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to my losses, but must relate to the claims of the class members as a whole.

18. I and the other plaintiffs seek to represent the following persons as class members in this action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

19. Counsel for I and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. A. Dimitri Lascaris and other lawyers at Siskinds LLP have provided me with frequent updates regarding this class action.

20. Daniel Bach of Siskinds LLP has explained the major steps in a class action, which I understand include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that my ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class and my counsel can examine the defendants' representatives;
- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to the trustees and other class members);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;

- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

21. I understand that as a representative plaintiff I would have, among others, the following responsibilities:

- (a) review and keep myself informed of the steps in this litigation;
- (b) familiarize myself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that I have in my possession, power or control;
- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express my views on any settlement offers that we receive or that we make on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

22. I am committed to actively directing this litigation and maximizing the recovery for the class. I am advised by Daniel Bach and I understand that I owe a duty to all members of the proposed class to provide fair and adequate representation. I intend to work with my co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

23. I believe that I can fairly and adequately represent the interests of class members and I am committed to fulfilling my obligations as their representative.

LITIGATION PLAN

24. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of my lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but my lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action. I understand from my lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

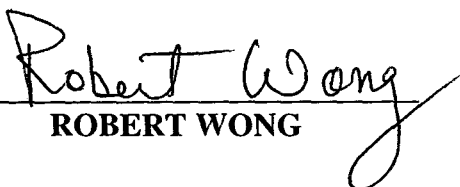
25. I am not aware of a conflict of interest between me and the proposed class members with respect any issues in this case.

SWORN BEFORE ME at the City of
KINCARDINE in the Province of Ontario,
on March 22, 2012.



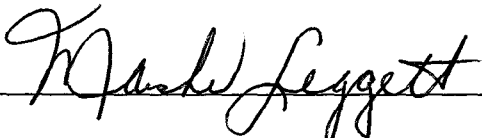
Commissioner for Taking Affidavits

MARSHA PAULINE LEGGETT, a Commissioner,
etc., Province of Ontario, for
William S. Mathers, Barrister and Solicitor.
Expires January 20, 2013.



ROBERT WONG

This is Exhibit "A" mentioned and referred to in the Affidavit of Robert Wong, sworn before me at the City of WINCARDINE in the Province of Ontario, on March 22, 2012.



Commissioner for Taking Affidavits

MARSHA PAULINE LEGGETT, a Commissioner,
etc., Province of Ontario, for
William S. Mathers, Barrister and Solicitor.
Expires January 20, 2013.

Date	Stock	Transaction	Symbol	Quantity	Price	Commission	Amount
7/29/02	sino forest	b	lre.a	16200	0.95		-14,896.00
7/30/02	sino forest	b	lre.a	4500	0.95		-4,410.00
8/29/02	sino forest	b	lre.a	40000	0.95		-39,200.00
12/12/02	sino forest	b	lre.a	74700	1.20		-91,881.00
12/13/02	sino forest	b	lre.a	25300	1.20		-31,119.00
3/6/03	sino forest	b	lre.a	40000	1.73		-70,035.00
3/10/03	sino forest	b	lre.a	40000	1.84		-74,800.00
3/19/03	sino forest	b	lre.a	24100	1.80		-44,103.00
3/20/03	sino forest	b	lre.a	15900	1.80		-29,097.00
4/16/03	sino forest	b	lre.a	10000	1.75		-17,800.00
4/24/03	sino forest	b	lre.a	15800	1.73		-27,686.00
7/29/03	sino forest	b	lre.a	20000	2.71		-54,800.00
9/2/03	sino forest	b	lre.a	16500	3.45		-57,420.00
9/3/03	sino forest	b	lre.a	3500	3.45		-12,180.00
9/10/03	sino forest	b	lre.a	20000	3.35		-67,800.00
10/3/03	sino forest	b	lre.a	20000	3.35		-67,800.00
2/19/04	sino forest	b	lre.a	11600	6.20		-71920.00
3/19/04	sino forest	b	lre.a	1000	4.00		-4015.00
3/29/04	sino forest	b	lre.a	30000	4.10		-123,305.00
3/29/04	sino forest	b	lre.a	2000	3.82		-7,655.00
5/20/04	sino forest	b	lre.a	50000	2.50		-125,505.00
2/17/05	sino forest	b	lre.a	100000	4.16		-417,000.00
12/12/05	sino forest	b	lre	9000	4.77		-43,020.00
1/25/06	sino forest	b	lre	8500	6.47		-66,580.00
3/27/06	sino forest	b	lre	2700	6.49		-17,580.00
3/29/06	sino forest	b	lre	47300	6.49		-307,460.00
5/29/06	Sino Forest	b	lre	50000	5.50		-275,500.00
8/3/06	Sino Forest	b	lre	5100	5.66		-28,917.00
8/4/06	Sino Forest	b	lre	42300	5.66		-239,841.00
8/8/06	Sino Forest	b	lre	2600	6.68		-14,742.00
8/15/06	Sino Forest	b	lre	20000	4.50		-90,200.00
10/11/06	Sino Forest	b	lre	30000	5.09		-153,000.00
10/16/06	Sino Forest	b	lre	43600	5.30		-231,516.00
10/17/06	Sino Forest	b	lre	6400	5.30		-33,984.00
10/24/06	Sino Forest	b	lre	50000	5.43		-272,000.00
11/1/06	Sino Forest	b	lre	50000	5.70		-285,500.00
11/10/06	Sino Forest	b	lre	2500	6.28		-15,750.00
11/13/06	Sino Forest	b	lre	60400	6.65		-402,264.00
11/14/06	Sino Forest	b	lre	10000	6.62		-66,300.00
12/24/06	Sino Forest	b	lre	2200	6.62		-14,586.00
1/2/07	Sino Forest	b	lre	34000	7.89		-268,800.00
1/3/07	Sino Forest	b	lre	20000	7.89		-158,476.00
1/4/07	Sino Forest	b	lre	15000	7.50		-114,150.00
1/5/07	Sino Forest	b	lre	5000	7.65		-38,340.00
1/8/07	Sino Forest	b	lre	5000	7.65		-38,300.00
1/9/07	Sino Forest	b	lre	10000	7.87		-78,800.00
1/10/07	Sino Forest	b	lre	9800	7.98		-78,302.00
1/12/07	Sino Forest	b	lre	40000	10.37		-415,200.00
1/15/07	Sino Forest	b	lre	60000	9.13		-548,400.00

1/24/07	Sino Forest	b	tre	20000	9.43		-188,800.00
6/26/07	sino forest	b	tre	10000	16.00		-160,100.00
8/7/07	sino forest	b	tre	10000	15.00		-160,100.00
	total			1261500	4.930		-6,219,294.00
8/10/07	sino forest	s	tre	-20000	16.000		289,800.00
	remaining			1241500	4.930		-6,120,692.43
8/15/07	sino forest	b	tre	10000	15.000		-160,100.00
12/10/07	sino forest	b	tre	4400	20.580		-90,598.00
12/10/07	sino forest	b	tre	5600	20.600		-115,416.00
1/15/08	sino forest	b	tre	10000	20.170		-201,700.00
5/13/08	sino forest	b	tre	10000	16.670		-166,700.00
6/26/08	sino forest	b	tre	20000	18.000		-380,000.00
7/16/08	sino forest	b	tre	10000	15.000		-150,000.00
7/22/08	sino forest	b	tre	10000	14.500		-145,000.00
8/6/08	sino forest	b	tre	7900	15.500		-122,460.00
8/8/08	sino forest	b	tre	2100	15.500		-32,550.00
8/11/08	sino forest	b	tre	10000	15.000		-150,000.00
8/26/08	sino forest	b	tre	10000	19.000		-190,000.00
9/4/08	sino forest	b	tre	20000	19.000		-380,000.00
	total			1371600	6.1088		-8,375,204.43
9/18/08	sino forest	s	tre	-40000	15.900	400.00	635,600.00
9/18/08	sino forest	s	tre	-20000	14.288	200.00	286,520.00
9/29/08	sino forest	s	tre	-1,500.00	13.210	15.00	19,800.00
	sino forest	s	tre	-18500	13.210	185.00	244,200.00
9/30/08	sino forest	s	tre	-100,000	13.460	1,000.00	1,345,000.00
10/2/08	sino forest	s	tre	-26,000	11.743	2,935.80	290,644.20
10/2/08	sino forest	s	tre	-20,000	12.030	200.00	240,400.00
10/2/08	sino forest	s	tre	-40,000	12.250	400.00	489,600.00
10/8/08	sino forest	s	tre	-10,000	9.600	100.00	95,900.00
10/8/08	sino forest	s	tre	-20,000	10.150	200.00	202,800.00
10/8/08	sino forest	s	tre	-20,000	10.250	200.00	204,800.00
10/8/08	sino forest	s	tre	-10,000	10.410	100.00	104,000.00
10/8/08	sino forest	s	tre	-10000	10.800	100.00	107,900.00
10/9/08	sino forest	s	tre	-7400	10.265	74.00	75,887.00
10/10/08	sino forest	s	tre	-2600	8.880	26.00	23,062.00
10/16/08	sino forest	s	tre	-6500	10.000	65.00	64,935.00
11/13/08	sino forest	s	tre	-20000	6.980	200.00	139,600.00
11/14/08	sino forest	s	tre	-20000	7.000	200.00	139,800.00
11/18/08	sino forest	s	tre	-5000	6.650	50.00	33,200.00
11/19/08	sino forest	s	tre	-15000	6.720	150.00	100,650.00
11/20/08	sino forest	s	tre	-40000	5.960	400.00	238,000.00
11/21/08	sino forest	s	tre	-20000	5.700	200.00	113,800.00
11/24/08	sino forest	s	tre	-108100	5.888	1,081.00	636,492.80
11/25/08	sino forest	s	tre	-108700	5.549	1,087.00	602,089.30
11/26/08	sino forest	s	tre	-310300	5.557	3,103.00	1,721,234.10
11/27/08	sino forest	s	tre	-10000	6.174	1,000.00	61,640.00
11/28/08	sino forest	s	tre	-4000	6.870	40.00	27,440.00
12/1/08	sino forest	s	tre	-2000	6.700	20.00	13,380.00
	sino forest	s	tre	-2000	6.420	20.00	12,820.00
	sino forest	s	tre	-700	6.600	7.00	4,613.00
12/2/08	sino forest	s	tre	-2000	6.600	20.00	13,180.00

	sino forest	s	tre	-2000	6.850	20.00	13,680.00
12/3/08	sino forest	s	tre	-2000	6.700	20.00	13,380.00
12/4/08	sino forest	s	tre	-2000	7.000	20.00	13,980.00
	sino forest	s	tre	-2000	7.300	20.00	14,680.00
12/8/08	sino forest	s	tre	-2000	8.080	20.00	16,140.00
	sino forest	s	tre	-2000	8.160	20.00	16,280.00
12/10/08	sino forest	s	tre	-2000	9.500	20.00	18,980.00
	sino forest	s	tre	-2000	10.500	20.00	20,980.00
	total sale			-1035300	8.090		8376027
			remaining	336200	6.1068		-2,053,039.54
3/2/09	sino forest	b	tre	2000	6.000	20.00	-16,020.00
12/16/09	sino forest	b	tre	30000	16.800	0.00	-604,000.00
12/17/09	sino forest	b	tre	10000	17.390	100.00	-174,000.00
12/29/09	sino forest	b	tre	10000	19.600	100.00	-196,100.00
12/30/09	sino forest	b	tre	5000	19.3100	50.00	-96,800.00
12/31/09	sino forest	b	tre	5000	19.2300	50.00	-96,200.00
1/6/10	sino forest	b	tre	10000	20.5500	100.00	-205,600.00
1/11/10	sino forest	b	tre	10000	20.6400	100.00	-206,500.00
1/14/10	sino forest	b	tre	10000	20.5000	100.00	-206,100.00
6/7/10	sino forest	b	tre	500	16.0000	5.00	-8,005.00
1/13/11	sino forest	b	tre	20000	23.0000	200.00	-460,200.00
5/6/11	sino forest	b	tre	10000	21.3700	100.00	-213,800.00
5/13/11	sino forest	b	tre	10000	19.7400	100.00	-197,500.00
5/24/11	sino forest	b	tre	10000	19.0000	100.00	-190,100.00
5/25/11	sino forest	b	tre	10000	19.1000	100.00	-191,100.00
5/26/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
6/25/11	sino forest	b	tre	10000	19.1200	100.00	-191,300.00
6/2/11	sino forest	b	tre	10000	17.0000	100.00	-170,100.00
	total			518700	10.7318		-5566564.54
6/3/11	sino forest	s	tre	-488700	5.4400	0.00	2658628.00
6/10/11	sino forest	s	tre	-30000	5.3397	1,089.30	159100.70
	total sale			-518700	5.4321		2617628.70
			remaining	0			-2,748,935.84

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

63

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF ROBERT WONG

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52

Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072

Fax: 416.204.2907

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520

London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Lawyers for the Plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

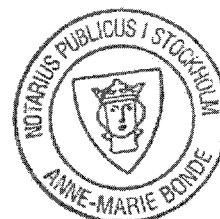
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF RICHARD GRÖTTHEIM

**I, RICHARD GRÖTTHEIM, of the City of Stockholm, in the Country of Sweden,
MAKE OATH AND SAY:**

1. I am the chief executive officer of Sjunde AP-Fonden ("AP7"), a plaintiff in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

[SW1684041/2]



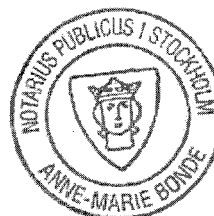
2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.
3. No portion of this affidavit is meant to waive, nor should it be construed as a waiver of, solicitor-client, litigation, or any other privilege.

AP7

4. AP7 is the Seventh Swedish National Pension Fund and is part of Sweden's national pension system. AP7 is governed by a board of directors. AP7 is appointed in mandatory Swedish Law as the exclusive manager of two funds, the AP7 Securities Fund and the AP7 Fixed Income Fund. This action only relates to transactions done on behalf of AP7 Securities Fund. As of June 30, 2011, the two funds had approximately 103 billion SEK (approximately \$15.9 billion at current exchange rates) in assets under management by AP7.
5. AP7 is authorized to initiate and prosecute legal actions on behalf of the funds it manages, and no other person or entity other than AP7 may commence claims on behalf of those funds.

NATURE OF THE ACTION

6. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE".
7. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and



74

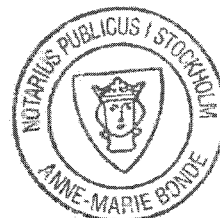
operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities traded at artificially inflated prices.

8. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino-Forest's share price. As set out below, AP7 held 139,398 shares at the time of this report.

9. AP7 is pursuing this action because of the losses suffered by the AP7 Securities Fund to ensure the defendants are held accountable for their behaviour, to deter similar conduct by others and to safeguard the health and transparency of the public markets.

10. AP7 chose to advance this action as a class proceeding in light of the significant cost of prosecuting a securities action on this scale. The losses sustained by the AP7 Securities Fund, while significant, do not justify the legal and expert costs of advancing these claims as an individual action. Furthermore, the potential adverse cost awards do not justify pursuing this action individually. I am advised by Daniel Bach of Siskinds LLP and I believe that adverse cost awards after a trial could be in the millions of dollars.

11. Finally, I appreciate that Sino securities were held by a wide range of investors in different financial positions. I have been advised by Daniel Bach that some investors, such as AP7's co-plaintiff Mr. Grant, had very small investments, and undoubtedly do not have the ability to advance expensive complex commercial litigation of this nature. I have also been advised that these investors cannot afford pursuing an expensive complex commercial litigation of this nature on an individual basis, and for those that can, such as AP7, it would not make financial sense to do so.



Handwritten signature

AP7'S INVESTMENT IN SINO-FOREST CORPORATION

12. AP7 purchased, on behalf of the AP7 Securities Fund, Sino shares between April 21, 2010 and January 14, 2011 over the Toronto Stock Exchange.

13. AP7 held, on behalf of the AP7 Securities Fund, a total of 139,398 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,538,438, at the close of trading on June 1, 2011. On August 24, 2011, AP7 sold 43,095 Sino shares for net proceeds of \$188,829.36. AP7 continues to hold 96,303 Sino shares. Attached and marked as Exhibit "A" is a summary of AP7's transactions in Sino shares.

ACTING AS REPRESENTATIVE PLAINTIFF

14. AP7 is prepared to act as representative plaintiffs in this class action. I understand that as a representative plaintiff AP7 would be obligated to direct this litigation and to act in the best interests of class members. For example, I understand that any settlement discussions with the defendants cannot relate only to AP7's losses, but must relate to the claims of the class members as a whole.

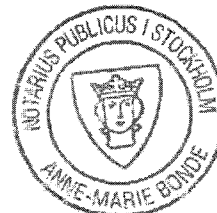
15. AP7 seeks to represent the following persons as class members in this action:

all persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the Ontario *Securities Act*, during the period from and including March 19, 2007 to and including June 2, 2011

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter or

(b) who are resident of Canada or were resident of Canada at the time of acquisition,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal



Handwritten initials

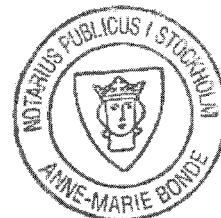
- 5 -

representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant

16. Counsel to AP7 and the other plaintiffs in this litigation are Koskie Minsky LLP and Siskinds LLP. AP7 has also retained the U.S. law firm of Kessler Topaz Meltzer & Check, LLP as United States securities law experts. Kessler Topaz has acted for AP7 in U.S. securities litigation for a number of years and I believe their extensive expertise will be of significant benefit to AP7 and to the class. Lawyers at Kessler Topaz, along with lawyers at Siskinds LLP, have provided AP7 with frequent updates regarding this class action.

17. Daniel Bach of Siskinds LLP has explained the major steps in a class action. I understand these major steps include:

- (a) preparing and serving a statement of claim;
- (b) a motion for leave to proceed with the statutory claims under Part XXIII.1 of the *Securities Act*, which will likely include extensive cross-examinations;
- (c) a motion for certification, which I understand involves the court's consideration of whether this action is appropriate to proceed as a class action. I also understand there will be cross-examinations for this motion and that AP7's ability to fairly and adequately represent the class will be in issue;
- (d) if the action is certified, there would be notice to the class of the certification and the right to opt-out (i.e. a chance for class members not to participate in the class action);
- (e) the disclosure and exchange of relevant documents;
- (f) examinations for discovery, where the defendants can examine the plaintiffs about their claims and those of the class, and our counsel can examine the defendants' representatives;

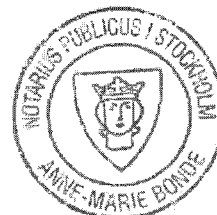


Handwritten signature

- (g) a pre-trial conference where a judge can help the parties towards a settlement of the case;
- (h) a trial of the common issues (i.e. a trial that only deals with the certified common issues as opposed to the issues individual to AP7 and other class members, if any);
- (i) notice to the class if individual hearings or participation is required;
- (j) the determination of individual issues, if required;
- (k) the distribution of proceeds (if any) of a money award by judgment or settlement;
- (l) appeals, which might include appeals from the certification motion, leave motion, other motions or the trial of the common issues; and
- (m) settlement discussions, which could happen at any time.

18. I understand that, as representative plaintiff, AP7 would have, among others, the following responsibilities:

- (a) review and keep ourselves informed of the steps in this litigation;
- (b) familiarize itself with the issues to be decided at the common issues stage and other issues in the action;
- (c) help prepare the affidavits and other materials in support of certification, other motions and the materials that would be used at a common issues trial;
- (d) attend any cross-examination on my affidavits or otherwise;
- (e) attend the examinations for discovery;
- (f) assist in preparing and executing an affidavit of documents, which will list the relevant documents that AP7 has in its possession, power or control;



74

- 7 -

- (g) attend at the common issues trial, providing any direction or assistance to class counsel and give evidence regarding the case;
- (h) express AP7's views on any settlement offers that it receives or that it makes on behalf of class members; and
- (i) assist in preparing materials in support of a court approving any settlement.

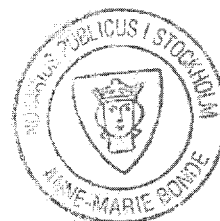
19. AP7 is committed to actively directing this litigation and maximizing the recovery for the class. AP7 has been advised by Daniel Bach and accepts that we owe a duty to all members of the proposed class to provide fair and adequate representation. AP7 intends to work with their co-plaintiffs and counsel to obtain the best recovery for the whole class, consistent with good faith and meritorious advocacy.

20. AP7 has acted as lead plaintiff in two class actions in the United States, against *Johnson & Johnson* (a securities class action) and *Anheuser-Busch Companies, Inc.* (a stockholder class action). Accordingly, AP7 understands the obligations of a plaintiff in a class action to act in the interests of class members.

21. I believe that AP7 can fairly and adequately represent the interests of class members and we are committed to fulfilling our obligations as their representatives.

LITIGATION PLAN

22. I have reviewed the draft litigation plan, which I understand will be attached to a separate affidavit of one of our lawyers. I understand that the litigation plan provides for notice to the class members if the action is certified. I do not have the expertise to evaluate the legal aspects of the plan, but our lawyers have formulated this plan and I understand from them that it is designed to provide a workable method of determining the issues in this action.



7/11

I understand from our lawyers and believe that the court has approved similar litigation plans in Canadian securities class actions.

23. I am not aware of a conflict of interest between AP7 and the proposed class members with respect any issues in this case.

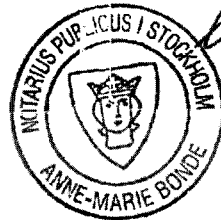
SWORN BEFORE ME at the City of Stockholm, on March 29, 2012.

Kristina
Commissioner for Taking Affidavits

Richard Gröttheim
RICHARD GRÖTTHEIM

I, the undersigned, Anne-Marie Bonde, Notary Public of the City of Stockholm, Sweden, hereby certify that KRISTINA OLNÉN EINARSSON has issued and signed the foregoing document.
Fee 240:- Stockholm 29.03.2012
Crowns Ex officio:

Anne-Marie Bonde

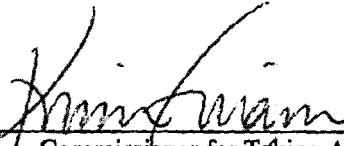


I, the undersigned, Anne-Marie Bonde, Notary Public of the City of Stockholm, Sweden, hereby certify that RICHARD GRÖTTHEIM duly authorized to sign for SJUNDE AP-FONDEN has issued and signed the foregoing document.
Fee 400:- Stockholm 29.03.2012
Crowns Ex officio:

Anne-Marie Bonde



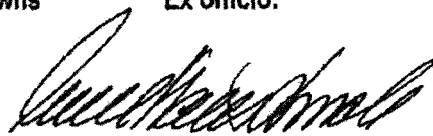
**EXHIBIT "A" TO THE AFFIDAVIT OF RICHARD GRÖTTHEIM
SWORN BEFORE ME, THIS 29 DAY OF MARCH, 2012**

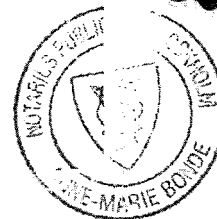


Commissioner for Taking Affidavits

I, the undersigned, Anne-Marie Bonde, Notary Public of
the City of Stockholm, Sweden, hereby certify that
KRISTINA OLNÉN EINARSSON
has issued and signed the foregoing document.
Fee 240:- Stockholm 29.03.2012
Crowns Ex officio:

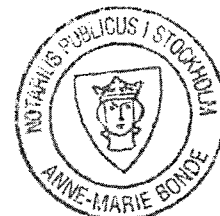






Summary of Transactions in Sino's Shares

TRADE DATE	TYPE	# OF SHARES	PRICE PER UNIT
4/21/2010	Purchase	2,945	\$19.6986
4/22/2010	Purchase	4,900	\$19.80
4/22/2010	Purchase	1,020	\$19.80
4/23/2010	Purchase	5,500	\$19.49
4/26/2010	Purchase	1,994	\$19.5122
4/27/2010	Purchase	71,500	\$19.3148
4/27/2010	Purchase	6,085	\$19.3206
4/27/2010	Purchase	1,300	\$19.3152
4/28/2010	Purchase	4,070	\$18.6711
5/5/2010	Purchase	3,082	\$17.6994
5/6/2010	Purchase	4,123	\$18.0285
5/7/2010	Purchase	3,469	\$17.5641
5/10/2010	Purchase	3,147	\$17.7518
5/11/2010	Purchase	1,933	\$17.6461
10/6/2010	Purchase	6,100	\$17.7350
12/14/2010	Purchase	13,600	\$24.4373
1/14/2011	Purchase	4,630	\$22.6349
8/24/2011	Sale	43,095	\$4.3817



The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF RICHARD GRÖTTHEIM

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117

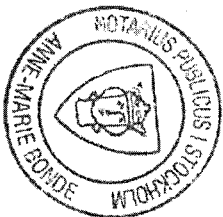
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072

Fax: 416.204.2907

Lawyers for the plaintiffs



Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF DANIEL E. H. BACH

I, DANIEL E. H. BACH, of the City of Toronto, in the Province of Ontario MAKE
OATH AND SAY:

1. I am a lawyer in the class actions department of Siskinds LLP, co-counsel for the
plaintiffs in this action, and I have knowledge of the matters deposed to below. Where I make
statements in this affidavit that are not within my personal knowledge, I have indicated the
source of my information and I believe such information to be true.

2. I swear this affidavit in support of the plaintiffs' motions for certification and for the purposes of the notice of the proposed settlement with Pöyry (Beijing) Consulting Company Limited and for no other or improper purpose.

NATURE OF THIS ACTION

3. This action was commenced on July 20, 2011 against Sino-Forest Corporation ("Sino") and other defendants. Sino is a publicly traded company, and its shares were traded at all material times on the Toronto Stock Exchange under the ticker symbol "TRE."

4. In this action, the plaintiffs allege, on their own behalf and on behalf of the class of investors that acquired Sino's securities, that Sino misstated its financials, substantially overstated the value of its assets, and concealed material information about its business and operations from the investors in its public filings. As a result of these alleged misrepresentations, Sino's securities allegedly traded at artificially inflated prices for many years.

5. On June 2, 2011, Muddy Waters Research released a research report alleging fraud against Sino-Forest and alleging that it "massively exaggerates its assets". This was followed by a significant decline Sino-Forest's share price.

6. On January 26, 2012, the plaintiffs filed an amended notice of action and a statement of claim.

7. A Proposed Fresh As Amended Statement of Claim was served on the defendants as part of the plaintiffs' motion record seeking leave under Part XXIII.1 of the *Securities Act*. Attached and marked as **Exhibit "A"** is a copy of the Proposed Fresh As Amended Statement

of Claim. The certification motion and leave motion are set to be heard by this court on November 21, 2012 to November 30, 2012.

IMPUGNED DOCUMENTS

8. This action centres around allegations that there were misrepresentations in Sino's public filings. The statement of claim as filed and the Proposed Fresh As Amended Statement of Claim refer to the following impugned documents:

- i) 2005 to 2010 annual financial statements
- ii) 2006 to 2010 annual information forms
- iii) 2006 to 2010 annual management's discussion and analysis
- iv) 2007 and 2008 amended annual management's discussion and analysis
- v) Q1 2006, Q1-Q3 2007, Q1-Q3 2008, Q1-Q3 2009 and Q1-Q3 2010 interim financial statements
- vi) Q1-Q3 2007, Q1-Q3 2008, Q1-Q3 2009 and Q1-Q3 2010 management's discussion and analysis
- vii) management information circular dated April 27, 2007
- viii) management information circular dated April 28, 2008
- ix) management information circular dated April 28, 2009
- x) management information circular dated May 4, 2010
- xi) management information circular dated May 2, 2011
- xii) June 2007 prospectus
- xiii) July 2008 offering memorandum
- xiv) June 2009 prospectus
- xv) June 2009 offering memorandum
- xvi) December 2009 prospectus
- xvii) December 2009 offering memorandum
- xviii) October 2010 offering memorandum,

A copy of these impugned documents are contained in Exhibit "A" to my affidavit filed in respect of the motion for leave under section 138.8 of the *Securities Act* and the plaintiffs intend to rely on these documents in respect of the motion for certification.

CERTIFICATION CRITERIA

Class definition

9. The proposed class definition in this action essentially comprises persons who acquired Sino securities between March 19, 2007 and June 2, 2011 (inclusive).

10. The beginning of the proposed class period corresponds to Sino's announcement of its financial results for Q4 2006 and for the year ended December 31, 2006. After this announcement, there was a substantial increase in Sino's share price. Attached and marked as **Exhibit "B"** is a spreadsheet showing Canadian stock price data for Sino's shares from January 1, 2007 to August 25, 2011. On my instructions, Michael McAlpine, the librarian at Siskinds LLP, created this spreadsheet from data provided by Bloomberg.

11. The end of the proposed class period is June 2, 2011. This is the date on which Muddy Waters Research released a report on Sino that alleged that Sino had misstated its financial results, falsely claimed to acquire trees it did not own, reported sales that had not been made or that had been made in a manner that did not permit Sino to report the sales as revenue under generally accepted accounting principles and concealed numerous related party transactions. Attached and marked as **Exhibit "C"** is a copy of the Muddy Waters Research report dated June 2, 2011.

Estimate of the class size

12. The plaintiffs do not, at this stage, have a definitive estimate as to the size of the proposed class. As of August 26, 2011, when Sino securities were cease traded, there were approximately 246 million outstanding Sino shares.

13. Class counsel contacted NPT Ricepoint Class Action Services for the purposes of assisting with notice of certification and opt out procedures. David Weir of NPT advised me that he estimates there are roughly 50,000 class members. He based this estimate on NPT's review of factors such as share price before analyst report, trading volumes, market capitalization, length of the class period, the number of exchanges where Sino-Forest shares were traded and the industry.

14. Sino-Forest ought to have more complete information regarding the number of class members and their contact information. Sino-Forest is required by the *Canada Business Corporations Act* R.S.C. 1985, c. C-44 to periodically send materials to its shareholders, such as shareholder meeting materials.

15. Sino-Forest should also have information on the names and addresses of noteholders. For example, the December 2009 offering memorandum (p.161) provides that in the event of a fundamental change, Sino-Forest shall mail a notice of such change to all noteholders "at their address shown in the register of the Registrar" and to the beneficial owners". The December 2009 offering memorandum is contained on the CD in Exhibit "A" to my affidavit filed in respect of the motion for leave under section 138.8 of the *Securities Act*.

Preferable Procedure

16. Having discussed this matter with my colleagues, I estimate that the cost of litigating this matter through a trial of the common issues, including the cost of expert fees, will total at least \$5 million. As of the date of this affidavit, class counsel have approximately \$1.8 million in docketed time and have incurred approximately \$450,000 in disbursements.

17. The documentary evidence will likely be extensive and time-consuming to collect and review. For instance, the relevant public documents in this case already number in the hundreds of documents and thousands of pages. Given our experience in other securities class actions involving public companies, it is highly likely that there will be thousands, if not tens of thousands, of relevant documents, many of which are in Chinese.

18. Further, there will be substantial expert costs in litigating this action through to trial. As set out in the proposed litigation plan, the plaintiffs have already retained accounting experts, economists and damages experts and experts on Chinese law and Suriname law.

Litigation Plan

19. A litigation plan has been developed that sets out a workable method of advancing the proceeding on behalf of the class members. The litigation plan is subject to review and ongoing modification by this Honourable Court, as well as input from the defendants. Attached and marked as **Exhibit "D"** is the proposed litigation plan.

20. Siskinds LLP has prepared numerous litigation plans for securities class actions and the court has approved similar litigation plans in the past. Attached and marked as **Exhibits "E-1"** and **"E-2"** are copies of the certification orders in *Silver v. Imax Corp.* and *Dobbie v. Arctic Glacier Income Fund.*

SETTLEMENT WITH PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

21. The plaintiffs have entered a settlement agreement with Pöyry (Beijing) Consulting Company Limited, executed as of March 20, 2012. The settlement agreement essentially provides that Pöyry will provide information and cooperation to the plaintiffs for the purposes of prosecuting this action against the remaining defendants. Attached and marked as **Exhibit "F"** is a copy of the settlement agreement.

22. In exchange for information and cooperation, there would be a release of claims against Pöyry and a bar order preventing claims for contribution, indemnity and other claims over in respect of the released claims. If it is later determined that the non-settling defendants have such rights of contribution, indemnity or claim over against Pöyry, then the class members would not be entitled to claim or recover from the non-settling defendants the proportion of any judgment that the Ontario court would have apportioned to Pöyry.

23. The settlement agreement provides that the parties shall consent to certification for the purposes of settlement and that Pöyry will pay the first \$100,000 of the costs of providing notice of certification and fairness hearing and half of any such costs over \$100,000. The opt out period would run for 60 days from the time the notice of certification is first published.

NOTICE AND COMMUNICATIONS WITH CLASS MEMBERS

24. The plaintiffs propose to provide notice to the class as follows:

- (a) posted by class counsel on their websites;
- (b) provided by class counsel to any person who requests it;
- (c) sent directly to the addresses of class members based on a list of names and addresses for security holders to be provided by the defendants;
- (d) published once in the national edition of *The Globe and Mail*, Report on Business section,

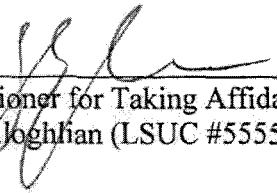
- (e) published once in the national edition of the *National Post*, Financial Post section;
- (f) published once, in French, in *La Presse*;
- (g) sent to brokers in Canada asking them to bring the notice to the attention of their clients who acquired Sino securities during the class period; and
- (j) posted by Sino in a prominent location on the main page of its website.

25. I believe the notice plan will be sufficient for the purposes of notifying class members of certification and providing them an adequate opportunity to opt-out of the class action (if certified).

26. In particular, the plaintiffs are seeking an order requiring Sino to deliver to the plaintiffs within ten days a list of the names and addresses of known beneficial owners of its securities as of the last day of the class period, June 2, 2011. The addresses in this list would be used to distribute the notice to security holders directly.

27. Class counsel have engaged NPT Ricepoint Class Action Services to assist in distributing the notice and collecting opt outs from class members. NPT Ricepoint has experience in distributing notices in more than thirteen class actions, including at least six securities class actions.

SWORN BEFORE ME at the City of
Toronto, on April 2nd, 2012.

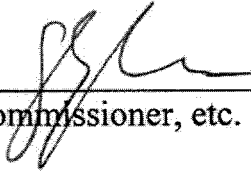


Commissioner for Taking Affidavits
Serge Kalloghlian (LSUC #55557F)



DANIEL E. H. BACH

This is Exhibit "A" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



A Commissioner, etc.

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY
(BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and MERRILL
LYNCH, PIERCE, FENNER & SMITH INCORPORATED (successor by merger to Banc of
America Securities LLC)**

Defendants

Proceeding under the Class Proceedings Act, 1992

**FRESH AS AMENDED STATEMENT OF CLAIM
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

TO: Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: David Horsley
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Allen Chan
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: William Ardell
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Bowland
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: James Hyde
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Edmund Mak
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: W. Judson Martin
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

AND TO: Simon Murray
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3

- AND TO: Kai Kit Poon**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Peter Wang**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Garry West**
Sino-Forest Corporation
1208-90 Burnhamthorpe Rd W
Mississauga, ON L5B 3C3
- AND TO: Ernst & Young LLP**
222 Bay Street
Toronto, ON M5K 1J7
- AND TO: BDO Limited**
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong, China
- AND TO: Pöyry (Beijing) Consulting Company Limited**
2208-2210 Cloud 9 Plaza
No. 1118 West Yan'an Road
Shanghai 200052
PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**
1 First Canadian Place
100 King Street West, Suite 2900
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**
66 Wellington Street West
P.O. Box 1, TD Bank Tower
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**
1 Adelaide Street East
Toronto, ON M5C 2V9

- AND TO: RBC Dominion Securities Inc.**
155 Wellington Street West, 17th Floor
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**
40 King Street West, Scotia Plaza
P.O. Box 4085, Station A
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**
161 Bay Street, Brookfield Place
P.O. Box 500
Toronto, Ontario M5J 2S8
- AND TO: Merrill Lynch Canada Inc.**
BCE Place, Wellington Tower
181 Bay Street, 4th and 5th Floors
Toronto, Ontario M5J 2V8
- AND TO: Canaccord Financial Ltd.**
161 Bay Street, Suite 2900
P.O. Box 516
Toronto, Ontario M5J 2S1
- AND TO: Maison Placements Canada Inc.**
130 Adelaide Street West, Suite 906
Toronto, Ontario M5H 3P5
- AND TO: Credit Suisse Securities (USA) LLC**
Eleven Madison Avenue
New York, NY 10010
- AND TO: Merrill Lynch, Pierce, Fenner & Smith Incorporated**
100 N. Tryon St., Ste. 220
Charlotte, NC 28255

TABLE OF CONTENTS

I.	Defined Terms	3
II.	Claim	11
III.	Overview	13
IV.	The Parties	18
	A. <i>The Plaintiffs</i>	18
	B. <i>The Defendants</i>	19
V.	The Offerings	30
VI.	The Misrepresentations	34
	A. <i>Misrepresentations relating to Sino’s History and Fraudulent Origins</i>	35
	(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture	35
	(ii) Sino’s Fictitious Investment in SJXT	39
	(iii) Sino’s Materially Deficient and Misleading Class Period Disclosures regarding Sino’s History	44
	B. <i>Misrepresentations relating to Sino’s Forestry Assets</i>	46
	(i) Sino Overstates its Yunnan Forestry Assets	46
	(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname	47
	(iii) Sino overstates its Jiangxi Forestry Assets	50
	(iv) Poyry makes Misrepresentations in relation to Sino’s Forestry Assets	51
	C. <i>Misrepresentations relating to Sino’s Related Party Transactions</i>	54
	(i) Related Party Transactions Generally	54
	(ii) Sino fails to disclose that Zhonggan was a Related Party	54
	(iii) Sino fails to disclose that Homix was a Related Party	55
	(iv) Sino fails to disclose that Yunan Shunxuan was a Related Party	57

(v)	Sino fails to disclose that Yuda Wood was a Related Party.....	57
(vi)	Sino fails to Disclose that Major Suppliers were Related Parties.....	58
D.	<i>Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC</i>	59
E.	<i>Misrepresentations relating to Sino's Relationships with its AIs</i>	65
(i)	Sino Misrepresents the Degree of its Reliance on its AIs.....	65
(ii)	Sino Misrepresents the Tax-related Risks Arising from its use of AIs.....	66
(iii)	Sino Misrepresents its Accounting Treatment of its AIs.....	71
F.	<i>Misrepresentations relating to Sino's Cash Flow Statements</i>	72
G.	<i>Misrepresentations relating to Certain Risks to which Sino was exposed</i>	74
(i)	Sino is conducting "business activities" in China.....	74
(ii)	Sino fails to disclose that no proceeds were paid to it by its AIs.....	74
H.	<i>Misrepresentations relating to Sino's GAAP Compliance and the Auditors' GAAS Compliance</i>	76
(i)	Sino, Chan and Horsley misrepresent that Sino complied with GAAP.....	76
(ii)	E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS.....	82
(iii)	The Market Relied on Sino's Purported GAAP-compliance and E&Y's and BDO's purported GAAS-compliance in Sino's Financial Reporting.....	84
VII.	Chan's and Horsley's False Certifications.....	85
VIII.	The Truth Is Revealed.....	85
IX.	Sino Rewards Its Experts	99
X.	The Defendants' Relationship to the Class.....	100
XI.	The Plaintiffs' Causes of Action.....	103
A.	<i>Negligent Misrepresentation</i>	103
B.	<i>Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy</i>	104
(i)	Statutory Liability— Secondary Market under the Securities Legislation ..	104

(ii)	Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation.....	105
(iii)	Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation.....	106
(iv)	Negligence Simpliciter – Primary Market for Sino’s Securities.....	106
(v)	Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray	110
(vi)	Unjust Enrichment of Sino.....	111
(vi)	Unjust Enrichment of the Underwriters.....	111
(vii)	Oppression	112
(viii)	Conspiracy	114
XII.	The Relationship between Sino’s Disclosures and the Price of Sino’s Securities.....	118
XIII.	Vicarious Liability	119
A.	<i>Sino and the Individual Defendants</i>	119
B.	<i>E&Y</i>	120
C.	<i>BDO</i>	120
D.	<i>Pöyry</i>	120
E.	<i>The Underwriters</i>	121
XIV.	Real and Substantial Connection with Ontario.....	121
XV.	Service Outside of Ontario.....	122
XVI.	Relevant Legislation, Place of Trial, Jury Trial and Headings.....	122

I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:
 - (a) “**AI**” means Authorized Intermediary;
 - (b) “**AIF**” means Annual Information Form;

- (c) “**Ardell**” means the defendant William E. Ardell;
- (d) “**Banc of America**” means the defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated;
- (e) “**BDO**” means the defendant BDO Limited;
- (f) “**Bowland**” means the defendant James P. Bowland;
- (g) “**BVI**” means British Virgin Islands;
- (h) “**Canaccord**” means the defendant Canaccord Financial Ltd.;
- (i) “**CBCA**” means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) “**Chan**” means the defendant Allen T.Y. Chan also known as “Tak Yuen Chan”;
- (k) “**CIBC**” means the defendant CIBC World Markets Inc.;
- (l) “**CJA**” means the *Ontario Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) “**Class**” and “**Class Members**” all persons and entities, wherever they may reside who acquired **Sino’s Securities** during the **Class Period** by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired **Sino’s Securities** during the **Class Period** who are resident of Canada or were resident of Canada at the time of acquisition and who acquired **Sino’s Securities** outside of Canada, except the **Excluded Persons**;
- (n) “**Class Period**” means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) “**Code**” means **Sino’s** Code of Business Conduct;
- (p) “**CPA**” means the *Ontario Class Proceedings Act, 1992*, SO 1992, c 6, as amended;

- (q) “**Credit Suisse**” means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) “**Credit Suisse USA**” means the defendant Credit Suisse Securities (USA) LLC;
- (s) “**Defendants**” means **Sino, the Individual Defendants, Pöyry, BDO, E&Y and the Underwriters**;
- (t) “**December 2009 Offering Memorandum**” means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which **Sino** filed on **SEDAR** on December 11, 2009;
- (u) “**December 2009 Prospectus**” means **Sino**’s Final Short Form Prospectus, dated December 10, 2009, which **Sino** filed on **SEDAR** on December 11, 2009;
- (v) “**Dundee**” means the defendant Dundee Securities Corporation;
- (w) “**E&Y**” means the defendant, Ernst and Young LLP;
- (x) “**Excluded Persons**” means the **Defendants**, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an **Individual Defendant**;
- (y) “**Final Report**” means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) “**GAAP**” means Canadian generally accepted accounting principles;
- (aa) “**GAAS**” means Canadian generally accepted auditing standards;
- (bb) “**Horsley**” means the defendant David J. Horsley;
- (cc) “**Hyde**” means the defendant James M.E. Hyde;
- (dd) “**Impugned Documents**” mean the 2005 Annual Consolidated Financial Statements (filed on **SEDAR** on March 31, 2006), Q1 2006 Financial Statements

(filed on **SEDAR** on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on **SEDAR** on March 19, 2007), 2006 AIF (filed on **SEDAR** on March 30, 2007), 2006 Annual MD&A (filed on **SEDAR** on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on **SEDAR** on May 4, 2007), Q1 2007 MD&A (filed on **SEDAR** on May 14, 2007), Q1 2007 Financial Statements (filed on **SEDAR** on May 14, 2007), **June 2007 Prospectus**, Q2 2007 MD&A (filed on **SEDAR** on August 13, 2007), Q2 2007 Financial Statements (filed on **SEDAR** on August 13, 2007), Q3 2007 MD&A (filed on **SEDAR** on November 12, 2007), Q3 2007 Financial Statements (filed on **SEDAR** on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on **SEDAR** on March 18, 2008), 2007 AIF (filed on **SEDAR** on March 28, 2008), 2007 Annual MD&A (filed on **SEDAR** on March 18, 2008), Amended 2007 Annual MD&A (filed on **SEDAR** on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on **SEDAR** on May 6, 2008), Q1 2008 MD&A (filed on **SEDAR** on May 13, 2008), Q1 2008 Financial Statements (filed on **SEDAR** on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 MD&A (filed on **SEDAR** on August 12, 2008), Q2 2008 Financial Statements (filed on **SEDAR** on August 12, 2008), Q3 2008 MD&A (filed on **SEDAR** on November 13, 2008), Q3 2008 Financial Statements (filed on **SEDAR** on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on **SEDAR** on March 16, 2009), 2008 Annual MD&A (filed on **SEDAR** on March 16, 2009), Amended 2008 Annual MD&A (filed on **SEDAR** on March 17, 2009), 2008 AIF (filed on **SEDAR** on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on **SEDAR** on May 4, 2009), Q1 2009 MD&A (filed on **SEDAR** on May 11, 2009), Q1 2009 Financial Statements (filed on **SEDAR** on May 11, 2009), **June 2009 Prospectus**, **June 2009 Offering Memorandum**, Q2 2009 MD&A (filed on **SEDAR** on August 10, 2009), Q2 2009 Financial Statements (filed on **SEDAR** on August 10, 2009), Q3 2009 MD&A (filed on **SEDAR** on November 12, 2009), Q3 2009 Financial Statements (filed on **SEDAR** on November 12, 2009), **December 2009 Prospectus**, **December 2009 Offering Memorandum**, 2009

Annual **MD&A** (filed on **SEDAR** on March 16, 2010), 2009 Audited Annual Financial Statements (filed on **SEDAR** on March 16, 2010), 2009 **AIF** (filed on **SEDAR** on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on **SEDAR** on May 11, 2010), Q1 2010 **MD&A** (filed on **SEDAR** on May 12, 2010), Q1 2010 Financial Statements (filed on **SEDAR** on May 12, 2010), Q2 2010 **MD&A** (filed on **SEDAR** on August 10, 2010), Q2 2010 Financial Statements (filed on **SEDAR** on August 10, 2010), **October 2010 Offering Memorandum**, Q3 2010 **MD&A** (filed on **SEDAR** on November 10, 2010), Q3 2010 Financial Statements (filed on **SEDAR** on November 10, 2010), 2010 Annual **MD&A** (March 15, 2011), 2010 Audited Annual Financial Statements (filed on **SEDAR** on March 15, 2011), 2010 **AIF** (filed on **SEDAR** on March 31, 2011), and Management Information Circular dated May 2, 2011 (filed on **SEDAR** on May 10, 2011);

- (ee) “**Individual Defendants**” means **Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West**, collectively;
- (ff) “**July 2008 Offering Memorandum**” means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which Sino filed on **SEDAR** as a schedule to a material change report on July 25, 2008;
- (gg) “**June 2007 Prospectus**” means Sino’s Short Form Prospectus, dated June 5, 2007, which Sino filed on **SEDAR** on June 5, 2007;
- (hh) “**June 2009 Offering Memorandum**” means Sino’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which Sino filed on **SEDAR** as a schedule to a material change report on June 25, 2009;
- (ii) “**June 2009 Prospectus**” means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on **SEDAR** on June 1, 2009;

- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s **Securities** that occurred during the **Class Period** including the public offerings of Sino’s common shares pursuant to the **June 2007, June 2009 and December 2009 Prospectuses**, as well as the offerings of Sino’s notes pursuant to the **July 2008, June 2009, December 2009, and October 2010 Offering Memoranda**, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;
- (vv) “**Poon**” means the defendant Kai Kit Poon;

- (ww) “**Pöyry**” means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) “**PRC**” means the People’s Republic of China;
- (yy) “**Representation**” means the statement that Sino’s financial statements complied with **GAAP**;
- (zz) “**RBC**” means the defendant RBC Dominion Securities Inc.;
- (aaa) “**Scotia**” means the defendant Scotia Capital Inc.;
- (bbb) “**Second Report**” means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) “**Securities**” means Sino’s common shares, notes or other securities, as defined in the *OSA*;
- (ddd) “**Securities Legislation**” means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) “**SEDAR**” means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;
- (fff) “**Sino**” means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) “**TD**” means the defendant TD Securities Inc.;

- (hhh) “**TSX**” means the Toronto Stock Exchange;
- (iii) “**Underwriters**” means **Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD**, collectively;
- (jjj) “**Wang**” means the defendant Peter Wang;
- (kkk) “**West**” means the defendant Garry J. West; and
- (lll) “**WFOE**” means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

II. CLAIM

2. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;
- (b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;
- (c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;
- (d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;
- (e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;
- (f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of \$6.5 billion;
- (g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of \$175,835,000;
- (h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, E&Y, Dundee, Merrill, Credit Suisse, Scotia and TD, general damages in the sum of \$330,000,000;

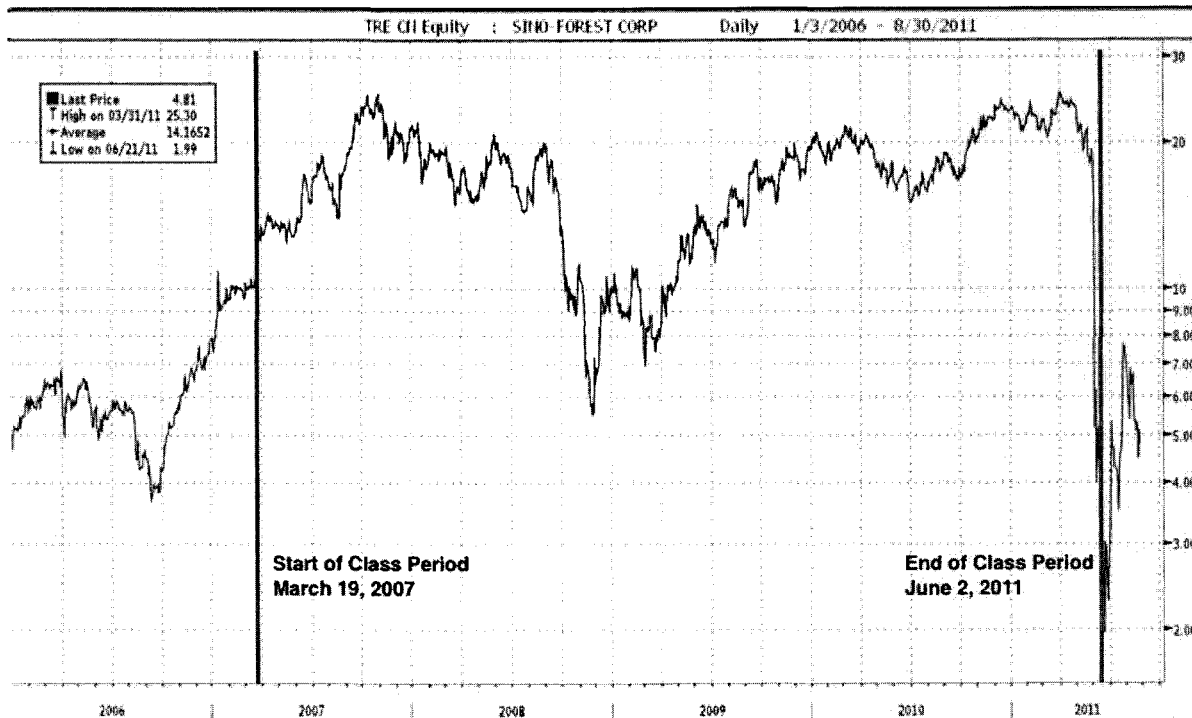
- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of \$319,200,000;
- (j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$345 million;
- (k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$400 million;
- (l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US\$460 million;
- (m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US\$600 million;

- (n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of \$50 million;
- (o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;
- (p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;
- (q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;
- (r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;
- (s) Prejudgment and post judgment interest;
- (t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (u) Such further and other relief as to this Honourable Court may seem just.

III. OVERVIEW

3. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere. Throughout that period, Sino has also claimed to have experienced breathtaking growth.

4. Beguiled by Sino's reported results, and by Sino's constant refrain that China constituted an extraordinary growth opportunity, investors drove Sino's stock price dramatically higher, as appears from the following chart:



5. The Defendants profited handsomely from the market's appetite for Sino's securities. Certain of the Individual Defendants sold Sino shares at lofty prices, and thereby reaped millions of dollars of gains. Sino's senior management also used Sino's illusory success to justify their lavish salaries, bonuses and other perks. For certain of the Individual Defendants, these outsized gains were not enough. Sino stock options granted to Chan, Horsley and other insiders were backdated or otherwise mispriced, prior to and during the Class Period, in violation of the TSX Rules, GAAP and the Securities Legislation.

6. Sino itself raised in excess of \$2.7 billion¹ in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

7. As a reporting issuer in Ontario and elsewhere, Sino was required at all material times to comply with GAAP. Indeed, Sino, BDO and E&Y, Sino's auditors during the Class Period and previously, repeatedly misrepresented that Sino's financial statements complied with GAAP. This was false.

8. On June 2, 2011, Muddy Waters, a short seller and research firm with extensive PRC experience, issued its first research report in relation to Sino, and unveiled the scale of the deception that had been worked upon the Class Members. Muddy Waters' initial report effectively revealed, among other things, that Sino had materially misstated its financial results, had falsely claimed to have acquired trees that it did not own, had reported sales that had not been made, or that had been made in a manner that did not permit Sino to book those sales as revenue under GAAP, and had concealed numerous related party transactions. These revelations had a catastrophic effect on Sino's stock price.

9. On June 1, 2011, prior to the publication of Muddy Waters' report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares fell to \$14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

10. On June 3, 2011, Sino announced that, in response to the allegations of Muddy Waters, its board had formed a committee, which Sino then falsely characterized as "independent" (the

¹ Dollar figures are in Canadian dollars (unless otherwise indicated) and are rounded for convenience.

“Independent Committee” or “IC”), to examine and review the allegations contained in the Muddy Waters’ report of June 2, 2011. The initial members of the IC were the Defendants Ardell, Bowland and Hyde. The IC subsequently retained legal, accounting and other advisers to assist it in the fulfillment of its mandate.

11. On August 26, 2011, the OSC issued a cease-trade order in respect of Sino’s securities, alleging that Sino appeared to have engaged in significant non-arm’s length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino’s revenue and/or exaggerated some of its timber holdings, and that Sino and certain of its officers and directors, including Chan, appeared to be engaging or participating in acts, practices or a course of conduct related to Sino’s securities which they (or any of them) knew or ought reasonably know would perpetuate a fraud.

12. On November 13, 2011, the IC released the Second Report. Therein, the IC revealed, *inter alia*, that: (1) Sino’s management had failed to cooperate in numerous important respects with the IC’s investigation; (2) “there is a risk” that certain of Sino’s operations “taken as a whole” were in violation of PRC law; (3) Sino adopted processes that “avoid[] Chinese foreign exchange controls which must be complied with in a normal cross-border sale and purchase transaction, and [which] could present an obstacle to future repatriation of sales proceeds, and could have tax implications as well”; (4) the IC “has not been able to verify that any relevant income taxes and VAT have been paid by or on behalf of the BVIs in China”; (5) Sino lacked proof of title to the vast majority of its purported holdings of standing timber; (6) Sino’s “transaction volumes with a number of AI and Suppliers do not match the revenue reported by such Suppliers in their SAIC filing”; (7) “[n]one of the BVI timber purchase contracts have as

attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by the Company; and (8) “[t]here are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials.”

13. On January 31, 2012, the IC released its Final Report. Therein, the IC effectively revealed that, despite having conducted an investigation over nearly eight months, and despite the expenditure of US\$50 million on that investigation, it had failed to refute, or even to provide plausible answers to, key allegations made by Muddy Waters:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC’s conclusions regarding its examination and review. The IC’s activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company’s Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.

[...]

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions

14. Sino failed to meet the standards required of a public company in Canada. Aided by its auditors and the Underwriters, Sino raised billions of dollars from investors on the false premise that they were investing in a well managed, ethical and GAAP-compliant corporation. They

were not. Accordingly, this action is brought to recover the Class Members' losses from those who caused them: the Defendants.

IV. THE PARTIES

A. *The Plaintiffs*

15. Labourers are the trustees of the Labourers' Pension Fund of Central and Eastern Canada, a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in assets, over 39,000 members and over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related.

16. Operating Engineers are the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 Offering Memorandum and in the distribution to which that Offering Memorandum related. Grant continued to hold those Notes at the end of the Class Period.

19. Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related, and continued to own those shares at the end of the Class Period.

B. *The Defendants*

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:

- (a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
- (b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
- (c) contemporaneously with each of the above, a MD&A of each of the above financial statements; and
- (d) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future.

24. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.

25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US\$3.0 million, US\$3.8 million, US\$5.0 million, US\$7.6 million and US\$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of \$10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of \$11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US\$1.1 million, US\$1.4 million, US\$1.7 million, US\$2.5 million, and US\$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of \$34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of \$474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of \$6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of \$9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of \$2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs *of investors and creditors*" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.

59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately \$7.5 million, \$14.0 million and \$14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US\$2.2 million, US\$8.5 million and \$US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of \$2.7 billion from investors during the Class Period. In particular:

- (a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of \$12.65 per share for gross proceeds of \$201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;
- (b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US\$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;
- (c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of \$11.00 per share for gross proceeds of \$379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

- (d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US\$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;
- (e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US\$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

- (f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the “**Prospectuses**”) pursuant to which Sino distributed to the public 21,850,000 common shares at a price of \$16.80 per share for gross proceeds of \$367,080,000. The December 2009 Prospectus incorporated by reference Sino’s: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled “Valuation of China Forest Corp Assets As at 31 December 2008” dated April 1, 2009;
- (g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD\$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD\$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD\$187,187,000 in aggregate principal amount of Sino’s existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and
- (h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US\$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino’s Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors’ report of E&Y dated March 15, 2010 with respect to Sino’s Annual Financial Statements for 2008 and 2009; and (3) Sino’s unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.

64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have receipted the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

VI. THE MISREPRESENTATIONS

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

- A. Sino's history and fraudulent origins;
- B. Sino's forestry assets;
- C. Sino's related party transactions;

- D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;
- E. Sino's relationships with its "Authorized Intermediaries;"
- F. Sino's cash flows;
- G. Certain risks to which Sino was exposed; and
- H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.

A. *Misrepresentations relating to Sino's History and Fraudulent Origins*

(i) Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture

71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("**Leizhou**"). The stated purpose of Leizhou, established in 1994, was:

Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m³ of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m³.

72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("EJV") and cooperating joint ventures ("CJV"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have "phased-in." Leizhou was the key driver of Sino's purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US\$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US\$11.3 million, US\$23.9 million and US\$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

Through mutual consultation between Leizhou Forestry Administration (hereinafter referred to as *our side*) and Sino-Wood Partners Limited (hereinafter referred to as the *foreign party*), and, with the approval document ZJMPZ No.021 [1994] issued by your commission on 28th January 1994 for approving the contracts and articles of association entered into by both parties, and, with the approval certificate WJMZHZZZ No.065 [1994] issued by your commission, both parties jointly established Zhanjiang Eucalyptus Resources Development Co. Ltd. (hereinafter referred to as the Joint Venture) whose incorporate number is 162622-0012 and duly registered the same with Zhanjiang Administration for Industry and Commerce and obtained the business license GSQHYZ No.00604 on 29th January in the same year. It has been 4 years since the registration and we set out the situation as follows:

I. Information of the investment of both sides

- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20th June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16th March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30th January 1996. In accordance with the notice, the foreign party then on 10th April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20th December the same year. On 14th May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14th May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11th June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30th June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29th January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30th April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

II. *The Joint Venture is not capable of attaining substantial operation*

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

Additionally, after the establishment of the Joint Venture, its internal operations have been extremely abnormal, for example, annual board meetings have not been held as scheduled; annual reports on the status and the results of the annual financial audit are missing; the withdrawal of the huge amount of funds by the foreign party was not discussed in the board meetings, etc. It is hard to list all here.

In light of the present state of contributions by both sides and the status of the Joint Venture from its establishment till now, our side now applies to your commission for:

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

Please let us have your reply on whether the above is in order.

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

The \$14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

(ii) Sino's Fictitious Investment in SJXT

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "**1997 Financial Statements**"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("**SJXT**"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as "Shanghai Jin Xiang Timber Ltd." While an entity called "Shanghai Jin Xiang Timber Wholesale Market" does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately US\$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US\$1.0 million. In Sino's balance sheet as at December 31, 1997, the SJXT investment was shown as an asset of \$1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m³ of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate "significant revenue" for Sino-Forest amounting to approximately \$40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino's total reported revenues in 1998 were \$92.7 million.

84. In Sino's Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the "1998 Financial Statements"), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total

investment in SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately \$1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US\$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SJXT investment was again shown as an asset of US\$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US\$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising. Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.

The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.

The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.

[...]

The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.

[Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the “Agency Agreement with SJXT [is] expected to generate approximately \$40 million over 18 months.”

88. In Sino’s Annual Report for 1999, Sino stated:

There are also promising growth opportunities as Sino-Forest’s investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops. The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.

Sino-Forest’s investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company’s lumber and wood products trading business.

[Emphasis added.]

89. In Sino’s MD&A for the year ended December 31, 1999, Sino also stated that:

Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999. Lumber and wood products trading on an agency basis has increased 35% from \$2.3 million in 1998 to \$3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately \$1.8 million of fees earned from a new customer.

[Emphasis added.]

90. That same MD&A, however, also states that “The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999*” (emphasis added).

91. In Sino’s Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the “1999 Financial Statements”), Sino stated:

During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of \$868,000* [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of \$278,000* as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%*. The principal activity of SJXT is to organize trading of timber and logs in the PRC market.

[Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of \$1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, \$796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of \$796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "**2000 Financial Statements**"),

Sino stated:

In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of \$868,000 [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of \$278,000 as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of \$796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of \$519,000, being the sum of Sino's purported SJXT investment of \$1,315,000 as at December 31, 1999, and the \$796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interest therein.

(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by

the Code, which touted the “high standards of ethical conduct, in both words and actions”, of Sino’s senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

102. Similarly, the June 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

103. Finally, the December 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the

Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

B. *Misrepresentations relating to Sino's Forestry Assets*

(i) Sino Overstates its Yunnan Forestry Assets

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US\$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("**Sino-Panel**"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("**Gengma Forestry**") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US\$700 million to US\$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

(ii) Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("**Greenheart**").

110. In August 2010, Greenheart issued an aggregate principal amount of US\$25,000,000 convertible notes for gross proceeds of US\$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname

312,000 hectares now under Greenheart management

Hong Kong, March 1, 2011 – Greenheart Group Limited (“Greenheart” or “the Company”) (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. (“Vista”), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart’s concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*

Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

[Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.*

[Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries.

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino overstates its Jiangxi Forestry Assets

119. On June 11, 2009, Sino issued a press release in which it stated:

Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.

Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m³) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m³, to the extent permitted under the relevant PRC laws and regulations. *The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares* to achieve an estimated average wood fibre yield of approximately 100 m³ per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.

In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("**Zhonggan**") for US\$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US\$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

(iv) Poyry makes Misrepresentations in relation to Sino's Forestry Assets

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

- (a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US\$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;
- (b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;
- (c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the

area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,” provided figures and tables regarding Yunnan, stated that “Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest,” stated that “the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha” and that “[a]lmost 97% of the broadleaf forest is in Yunnan,” and provided a detailed discussion of Sino’s Yunnan “holdings” at Appendixes 3 and 4. Pöyry’s 2010 Valuations were incorporated in Sino’s 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

- (d) In a “Summary Valuation Report” regarding “Valuation of Purchased Forest Crops as at 31 December 2010” and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that “[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces” and that “[a]nalysis of [Sino’s] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,” and stated that “[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;” and
- (e) In a press release titled “Summary of Sino-Forest’s China Forest Asset 2010 Valuation Reports” and which was “jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports,” Pöyry reported on Sino’s “holdings” and estimated the market value of Sino’s forest assets on the 754,816 ha to be approximately US\$3.1 billion as at December 31, 2010.

C. *Misrepresentations relating to Sino's Related Party Transactions*

(i) Related Party Transactions Generally

124. Under GAAP and GAAS, a "related party" exists "when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other." (CICA Handbook 3840.03) Examples include a parent-subsiidiary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm's length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary "sells" an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm's length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

(ii) Sino fails to disclose that Zhonggan was a Related Party

127. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

(iii) Sino fails to disclose that Homix was a Related Party

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited (“**Homix**”), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US\$7.1 million. That press release stated:

HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.

[...]

Mr. Allen Chan, Sino-Forest’s Chairman & CEO, said, “As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("**Jiangsu**")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

HOMIX acquisition

In accordance with our strategy to focus on research and development and to improve the end-use of our wood fibre, we acquired HOMIX Ltd. in January 2010 for \$7.1 million. This corporate acquisition is small but strategically important *adding valuable intellectual property rights* and two engineered-wood processing facilities located in Guangdong and Jiangsu Provinces to our operations. *Homix has developed environment-friendly technology, an efficient process using recomposed technology to convert small-diameter plantation logs into building materials and furniture.* Since we plan to grow high volumes of eucalypt and other FGHY species, this acquisition will help us achieve our long-term objectives of maximizing the use of our fibre, supplying a

variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

(iv) Sino fails to disclose that Yunnan Shunxuan was a Related Party

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

(v) Sino fails to disclose that Yuda Wood was a Related Party

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("Yuda Wood"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *“there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood’s RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)”* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

(vi) Sino fails to Disclose that Major Suppliers were Related Parties

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino’s purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC*

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officials, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

- (a) In the 2008 AIF: *"We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management, and we are in the process of applying for the plantation rights*

certificates for those plantations for which we have not obtained such certificates” [emphasis added];

- (b) In the 2009 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added]; and
- (c) In the 2010 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries (“BVIs”) in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

- (a) In the July 2008 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (b) In the June 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (c) In the October 2010 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (d) In the 2006 AIF, Sino stated “Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (e) In the 2007 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (f) In the 2008 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations”;

- (g) In the 2009 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”;
- (h) In the December 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”; and
- (i) In the 2010 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations.”

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that “*in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred*” [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the “Notice on the Implementation of Nationwide Uniform Plantation Right Certificates” (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the “Notice”). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*

[Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

- (a) In the 2006 AIF: “In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*” [emphasis added]; and
- (b) In the 2007 AIF: “For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*” [emphasis added]

E. Misrepresentations relating to Sino's Relationships with its AIs

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with its AIs.

(i) Sino Misrepresents the Degree of its Reliance on its AIs

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. ***In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.***

[Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) *Sino Misrepresents the Tax-related Risks Arising from its use of AIs*

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties maybe also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US\$10 million to US\$150 million, US\$50 million to US\$260 million, US\$81 million to US\$371 million, and US\$83 million to US\$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

- (a) In the 2006 Annual Financial Statements, note 11 [b] “Provision for tax related liabilities” and associated text;
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the AIF dated March 30, 2007, the section “Estimation of the Company’s provision for income and related taxes,” and associated text;
- (d) In the Q1 and Q2 2007 Financial Statements, note 5 “Provision for Tax Related Liabilities,” and associated text;
- (e) In the Q3 2007 Financial Statements, note 6 “Provision for Tax Related Liabilities,” and associated text;
- (f) In the 2007 Annual Financial Statements, note 13 [b] “Provision for tax related liabilities,” and associated text;
- (g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (h) In the AIF dated March 28, 2008, the section “Estimation of the Corporation’s provision for income and related taxes,” and associated text;
- (i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 “Provision for Tax Related Liabilities,” and associated text;
- (j) In the Q1, Q2 and Q3 2008 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (k) In the July 2008 Offering Memorandum, the subsection “Taxation” in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and associated text;

- (l) In the 2008 Annual Financial Statements, note 13 [d] "Provision for tax related liabilities," and associated text;
- (m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (n) In the AIF dated March 31, 2009, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 "Provision for Tax Related Liabilities," and associated text;
- (p) In the Q1, Q2 and Q3 2009 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (q) In the 2009 Annual Financial Statements, note 15 [d] "Provision for tax related liabilities," and associated text;
- (r) In the 2009 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (s) In the AIF dated March 31, 2010, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text;
- (t) In the Q1 and Q2 2010 Financial Statements, note 14 "Provision for Tax Related Liabilities," and associated text;
- (u) In the Q1 and Q2 2010 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;

- (v) In the Q3 2010 Financial Statements, note 14 “Provision and Contingencies for Tax Related Liabilities,” and associated text; and
- (w) In the Q3 2010 MD&As, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (x) In the October 2010 Offering Memorandum, the subsection “Taxation” in the section “Selected Financial Information,” and associated text;
- (y) In the 2010 Annual Financial Statements, note 18 “Provision and Contingencies for Tax Related Liabilities,” and associated text;
- (z) In the 2010 Annual MD&A, the subsection “Provision and Contingencies for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text; and
- (aa) In the AIF dated March 31, 2011, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text.

171. In every Impugned Document that is a financial statement, the line item “Accounts payable and accrued liabilities” and associated figures on the Consolidated Balance Sheets fails to properly account for Sino’s tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US\$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

(iii) *Sino Misrepresents its Accounting Treatment of its AIs*

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. ***Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.***

[Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. ***Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.***

[Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions.

This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

F. *Misrepresentations relating to Sino's Cash Flow Statements*

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory": cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material

overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

G. Misrepresentations relating to Certain Risks to which Sino was exposed

(i) Sino is conducting "business activities" in China

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

(ii) Sino fails to disclose that no proceeds were paid to it by its AIs

187. In the Second Report, Sino belatedly revealed that:

In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. ***No proceeds are directly paid to the Company, either onshore or offshore.***

[Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

- (a) In the 2005 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities” [emphasis added];
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the 2006 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (d) In the 2007 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;”
- (e) In the 2008 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (f) In the 2009 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added]; and

- (g) In the 2010 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added].

H. *Misrepresentations relating to Sino’s GAAP Compliance and the Auditors’ GAAS Compliance*

- (i) *Sino, Chan and Horsley misrepresent that Sino complied with GAAP*

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007, at Note 1: “These consolidated financial statements Sino-Forest Corporation (the “Company”) have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008, at Note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;

- (d) In the annual financial statements filed on March 16, 2010, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”.

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

- (a) In the annual MD&A filed on March 19, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (b) In the quarterly MD&A filed on May 14, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (c) In the quarterly MD&A filed on August 13, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (d) In the quarterly MD&A filed on November 12, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;

- (e) In the annual MD&A filed on March 18, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (f) In the amended annual MD&A filed on March 28, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (g) In the quarterly MD&A filed on May 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (h) In the quarterly MD&A filed on August 12, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (i) In the quarterly MD&A filed on November 13, 2008: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (j) In the annual MD&A filed on March 16, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (k) In the amended annual MD&A filed on March 17, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (l) In the quarterly MD&A filed on May 11, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (m) In the quarterly MD&A filed on August 10, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;

- (n) In the quarterly MD&A filed on November 12, 2009: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (o) In the annual MD&A files on March 16, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (p) In the quarterly MD&A filed on May 12, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (q) In the quarterly MD&A filed on August 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”);
- (r) In the quarterly MD&A filed on November 10, 2010: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”); and
- (s) In the annual MD&A filed on March 15, 2011: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles (“GAAP”).”

193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:

- (a) In the July 2008 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada” and “Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]”;

- (b) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP”;
- (c) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada” and “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP”; and
- (d) In the October 2010 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-

month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP.”

195. In the Class Period Management’s Reports, Chan and Horsley represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management’s Reports that Sino’s financial statements were GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (d) In the annual financial statements filed on March 16, 2010 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles.”

(ii) *E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS*

197. In each of Sino’s Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino’s financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

- (a) In Sino’s annual financial statements filed on March 19, 2007, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (b) In the June 2007 Prospectus, BDO stated: “We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents”;
- (c) In Sino’s annual financial statements filed on March 18, 2008, E&Y stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007”;

- (d) In the July 2008 Offering Memorandum, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles” and E&Y stated “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles”;
- (e) In Sino’s annual financial statements filed on March 16, 2009, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (f) In Sino’s annual financial statements filed on March 16, 2010, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles”; and

- (g) In Sino’s annual financial statements filed on March 15, 2011, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards.” and “In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.”

(iii) *The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting*

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino’s auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino’s financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino’s securities on the critical premise that Sino’s financial statements were in fact GAAP-compliant, and that Sino’s auditors had in fact conducted their audits in compliance with GAAS. Sino’s reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino’s purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino’s securities.

201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

VIII. THE TRUTH IS REVEALED

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE’s default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE’s fraud is a convoluted structure whereby it claims to run most of its revenues through “authorized intermediaries” (“AI”). AIs are supposedly timber trader customers who purportedly pay much of TRE’s value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.

The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

[...]

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006

[...]

Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

205. Muddy Waters’ report also disclosed that (a) Sino’s business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters’ initial report became public, Sino shares fell to \$14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of \$18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

Timber Ownership

[...]

The Company does not obtain registered title to BVI purchased plantations. In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. ***The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved*** with the Suppliers in a manner satisfactory to the Company.

Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. ***Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.*** In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers. The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained. It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, ***these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.***

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. ***However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.*** We note also that the independent valuation referred to in Part VIII below has not yet been completed.

Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, ***the IC was unable to review any documentation of AIs or Suppliers which independently verified movements***

of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.

Relationships

- Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)*. Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*
- Other: The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.
- Accounting Considerations: *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute “business activities” within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking “business activities” within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

(a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register*; and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes*;
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities: *many third parties explained their reluctance to provide requested documentation and information as being “for tax reasons” but declined to elaborate*; and

- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships*. The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company’s business and in relation to North American practices; including:

- *incomplete or inadequate record creation and retention practices;*
- contracts not maintained in a central location;
- significant volumes of data maintained across multiple locations on decentralized servers;
- *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;*
- no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- *no internal audit function* although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- *SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses* which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: *The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.*

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. *In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.* In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: *The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.* The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the

forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. *The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.*

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. the IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. ***That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:***

- ***book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited***
- ***recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.***

A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. ***However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.*** At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. ***While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.*** It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) *Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.*

(iii) Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.

(iv) Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. *As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.*

1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. *As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.* The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of

obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

(a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. ***The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.***

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

(b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14. as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. *Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.*

3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. *The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.*

4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid \$163,623 by Sino in 2010, \$115,962 in 2009, \$57,000 in 2008 and \$55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total \$712,000 in 2008, \$1,225,000 in 2009 and \$992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.

216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

XI. THE PLAINTIFFS' CAUSES OF ACTION

A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy*

(i) Statutory Liability— Secondary Market under the Securities Legislation

231. The Plaintiffs plead the claim found in Part XXIII.1 of the *OSA*, and, if required, the equivalent sections of the Securities Legislation other than the *OSA*, against all Defendants except the Underwriters.

232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a “Core Document” within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

235. Sino is a reporting issuer within the meaning of the Securities Legislation.

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

(ii) *Statutory Liability – Primary Market for Sino’s Shares under the Securities Legislation*

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

(iii) Statutory Liability – Primary Market for Sino’s Notes under the Securities Legislation

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino’s notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

(iv) Negligence Simpliciter – Primary Market for Sino’s Securities

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the “**Primary Market Defendants**”) acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.

254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) *Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray*

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

(vi) *Unjust Enrichment of Sino*

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

(vi) *Unjust Enrichment of the Underwriters*

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

(vii) Oppression

274. The Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's

best interests and, in turn, in the interests of its security holders. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

- (a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;
- (b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;
- (d) Sino and the Individual Defendants would not make the misrepresentations particularized above;
- (e) Sino stock options would not be backdated or otherwise mispriced; and
- (f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

- (a) Sino did not comply with GAAP;
- (b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino's corporate governance procedures and internal controls were inadequate;
- (d) the misrepresentations particularized above were made;
- (e) stock options were backdated and/or otherwise mispriced; and
- (f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders.

The value of the shareholders' investments was based on, among other things:

- (a) the profitability of Sino;
- (b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;
- (c) Sino's compliance with its disclosure obligations;
- (d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and
- (e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

(viii) Conspiracy

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "Conspirators") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

- (a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;
- (b) artificially increase the value of the securities they held; and
- (c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

- (a) they agreed to, and did, make the Representation, which they knew was false;
- (b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;
- (c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;
- (d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and
- (e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

- (a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;
- (b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and
- (c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

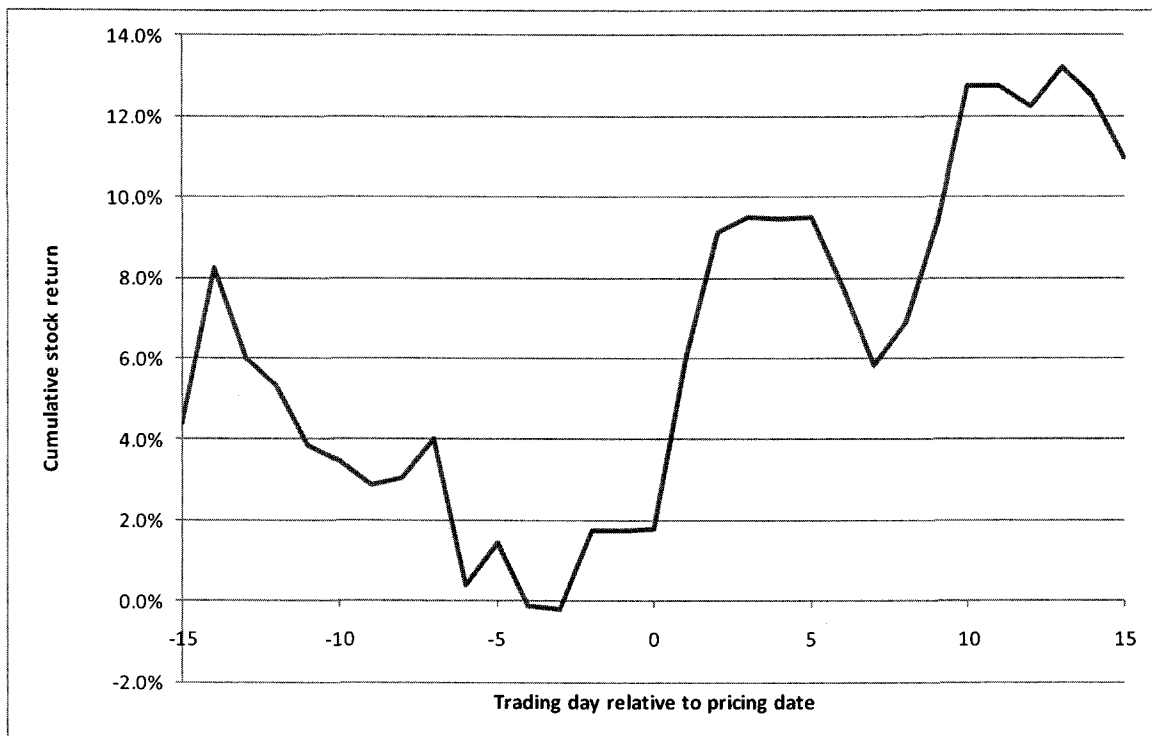
285. At all material times, the Sino Option Plan (the "**Plan**") prohibited in-the-money options.

286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX

Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the OSA, the Securities Legislation other than the OSA, the Code, the rules and requirements of the TSX (the “TSX Rules”) and the CBCA. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino’s securities.

290. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

XII. THE RELATIONSHIP BETWEEN SINO’S DISCLOSURES AND THE PRICE OF SINO’S SECURITIES

291. The price of Sino’s securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino’s disclosure documents upon the price of its Sino’s securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

XIII. VICARIOUS LIABILITY

A. *Sino and the Individual Defendants*

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

B. E&Y

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

C. BDO

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

D. Pöyry

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

305. The acts or omissions particularized and alleged in this Claim to have been done by Pöyry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöyry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöyry.

E. *The Underwriters*

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO

308. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

- (a) Sino is a reporting issuer in Ontario;
- (b) Sino's shares trade on the TSX which is located in Toronto, Ontario;
- (c) Sino's registered office and principal business office is in Mississauga, Ontario;
- (d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario;

- (f) Sino carries on business in Ontario; and
- (g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

XV. SERVICE OUTSIDE OF ONTARIO

309. The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the Rules of Civil Procedure, because this claim is:

- (a) a claim in respect of personal property in Ontario (para 17.02(a));
- (b) a claim in respect of damage sustained in Ontario (para 17.02(h));
- (c) a claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and
- (d) a claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and
- (e) a claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

311. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

January 26, 2012

Siskinds LLP

Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

Michael G. Robb (LSUC#: 45787G)

Tel: 519.660.7872

Fax: 519.660.7873

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Ptak (LSUC#: 45773F)

Tel: 416-595.2149

Fax: 416.204.2903

Lawyers for the Plaintiffs

Trustees of the Labourers' Pension Fund of Central and Eastern Canada,
et al.
Plaintiffs

and

Sino-Forest Corporation,
et al.
Defendants

Court File No.: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

**FRESH AS AMENDED STATEMENT OF CLAIM
(NOTICE OF ACTION ISSUED JULY 20, 2011)**

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845
Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754
Michael G. Robb (LSUC#: 45787G)
Tel: 519.660.7872
Fax: 519.660.7873

Koskie Minsky LLP
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)
Tel: 416.595.2117
Fax: 416.204.2889
Jonathan Ptak (LSUC#: 45773F)
Tel: 416-595.2149
Fax: 416.204.2903
Lawyers for the Plaintiffs

This is Exhibit "B" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.


A Commissioner, etc.

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/2/2007	7.85	7.94	7.74	7.85	258890
1/3/2007	7.95	7.98	7.88	7.94	471971
1/4/2007	7.93	7.93	7.39	7.46	1223700
1/5/2007	7.55	7.69	7.51	7.63	328751
1/8/2007	7.63	7.77	7.63	7.75	254517
1/9/2007	7.79	7.93	7.79	7.9	869948
1/10/2007	7.9	8.45	7.9	8.45	867321
1/11/2007	8.43	9.09	8.4	8.93	1214338
1/12/2007	9.5	10.98	9.5	10.85	3585353
1/15/2007	8.8	9.33	8.1	9.05	2779241
1/16/2007	8.99	9.39	8.82	9.08	2994701
1/17/2007	9.12	9.28	9.05	9.28	1995883
1/18/2007	9.25	9.29	9.03	9.1	1383339
1/19/2007	9.07	9.2	9.07	9.16	1099562
1/22/2007	9.16	9.33	9.12	9.22	786514
1/23/2007	9.31	9.55	9.25	9.43	632874
1/24/2007	9.32	9.55	9.3	9.5	766710
1/25/2007	9.45	9.55	9.38	9.45	1265242
1/26/2007	9.46	9.49	9.26	9.37	1922895
1/29/2007	9.3	10.05	9.3	9.99	929678
1/30/2007	9.87	9.96	9.47	9.5	551192
1/31/2007	9.5	9.64	9.5	9.51	406335
2/1/2007	9.56	9.74	9.53	9.61	377686
2/2/2007	9.55	9.61	9.38	9.58	672371
2/5/2007	9.6	9.9	9.6	9.76	264439
2/6/2007	9.86	10.24	9.77	10.19	891220
2/7/2007	10.22	10.37	10.07	10.19	964276
2/8/2007	10.02	10.12	9.92	10.05	437770
2/9/2007	9.92	10.22	9.92	10.11	666854
2/12/2007	10.1	10.18	10.02	10.16	404628
2/13/2007	10.05	10.15	9.7	9.81	707916
2/14/2007	9.8	9.99	9.75	9.84	655669
2/15/2007	9.81	10.16	9.81	10.15	1015586
2/16/2007	10.05	10.4	10.05	10.08	706543
2/19/2007	10	10.15	9.96	10.04	158023
2/20/2007	10.06	10.12	10.01	10.08	303239
2/21/2007	9.99	10.11	9.99	10.02	354119
2/22/2007	10.11	10.13	10.01	10.03	609462
2/23/2007	10	10.08	10	10.01	408359
2/26/2007	9.95	10.07	9.85	9.95	382744
2/27/2007	9.52	9.71	9.38	9.59	1089353
2/28/2007	9.53	9.6	9.12	9.56	605495
3/1/2007	9.56	9.94	9.36	9.85	660557
3/2/2007	9.85	10.31	9.82	10.3	1399389
3/5/2007	10.15	10.27	10.03	10.04	1553328

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
3/6/2007	10.19	10.23	10.01	10.04	1409217
3/7/2007	10.04	10.18	10.04	10.12	116041
3/8/2007	10.09	10.19	10	10.1	310812
3/9/2007	10.1	10.19	10.08	10.18	107152
3/12/2007	10.1	10.19	10.1	10.1	159287
3/13/2007	10.21	10.71	10.2	10.48	439469
3/14/2007	10.39	10.39	10.03	10.15	812636
3/15/2007	10.25	10.26	10.1	10.11	776283
3/16/2007	10.1	10.26	10.1	10.1	421942
3/19/2007	10.11	10.71	10.11	10.51	579842
3/20/2007	10.54	11.2	10.54	10.83	894993
3/21/2007	10.81	11.19	10.75	11.11	713649
3/22/2007	11.12	11.67	11.12	11.56	1101991
3/23/2007	11.46	12	10.63	11.88	1563127
3/26/2007	11.91	12.96	11.91	12.95	1436951
3/27/2007	13	13.07	12.85	12.85	538656
3/28/2007	12.7	12.78	12.2	12.64	2181373
3/29/2007	12.55	13.5	12.55	13.42	2791740
3/30/2007	13.44	13.44	13.09	13.1	484814
4/2/2007	13.09	13.09	12.88	12.94	346328
4/3/2007	12.92	13.15	12.91	12.95	602846
4/4/2007	12.85	13.05	12.7	12.97	536125
4/5/2007	12.97	13.45	12.78	13.29	876510
4/9/2007	13.44	13.72	13.39	13.57	294242
4/10/2007	13.57	14.11	13.55	13.83	513029
4/11/2007	13.62	14.08	13.62	13.87	543962
4/12/2007	13.94	14.29	13.84	14.25	864791
4/13/2007	14.35	14.43	13.75	13.85	677870
4/16/2007	13.85	14.05	13.75	13.81	899665
4/17/2007	13.83	14.05	13.81	13.98	941873
4/18/2007	13.91	14.35	13.91	14.1	743935
4/19/2007	14.07	14.07	13.7	13.86	468392
4/20/2007	13.87	13.88	12.86	13.32	724382
4/23/2007	12.82	13.43	12.82	13.32	621928
4/24/2007	13.38	13.45	13.26	13.4	245231
4/25/2007	13.32	13.9	13.22	13.77	389057
4/26/2007	13.77	13.77	13.49	13.62	86022
4/27/2007	13.5	13.9	13.5	13.58	294277
4/30/2007	13.58	13.96	13.4	13.5	346531
5/1/2007	13.6	13.78	13.33	13.55	1092030
5/2/2007	13.56	13.65	13.33	13.36	602561
5/3/2007	13.2	13.2	13	13.15	635947
5/4/2007	13.1	13.7	13.07	13.58	656738
5/7/2007	13.7	13.95	13.65	13.7	427974
5/8/2007	13.7	13.7	13.42	13.6	697775

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
5/9/2007	13.5	13.59	13.21	13.38	631071
5/10/2007	13.46	13.68	13.43	13.59	929141
5/11/2007	13.65	13.8	13.5	13.6	753705
5/14/2007	13.58	13.58	12.9	13.05	503810
5/15/2007	13	13.1	12.25	12.49	1450770
5/16/2007	12.1	12.73	11.76	12.64	1354234
5/17/2007	12.56	13.32	12.56	13.31	1266072
5/18/2007	13.38	13.59	13.12	13.41	546280
5/22/2007	13.62	14.11	13.62	13.83	1179246
5/23/2007	13.7	13.7	12.9	13.15	1402115
5/24/2007	13.07	13.15	12.84	12.93	757324
5/25/2007	12.89	12.93	12.69	12.9	430691
5/28/2007	12.75	12.95	12.75	12.87	82020
5/29/2007	12.84	12.99	12.84	12.85	925356
5/30/2007	12.85	13.1	12.73	12.87	869727
5/31/2007	12.87	13.19	12.87	13.05	688622
6/1/2007	13.18	13.2	13.04	13.15	724888
6/4/2007	13	14.03	13	13.99	1063644
6/5/2007	14.02	14.4	13.94	14.05	1234165
6/6/2007	14.04	14.08	13.96	14.05	899577
6/7/2007	14.05	14.35	13.75	13.75	998556
6/8/2007	13.73	13.84	13.54	13.76	1246966
6/11/2007	13.85	14.19	13.82	14.05	847158
6/12/2007	14.2	14.3	14	14.1	1037238
6/13/2007	14.1	15.1	14	14.98	1108829
6/14/2007	15.1	16.69	14.99	16.07	3609985
6/15/2007	16.2	16.76	16	16.75	3751545
6/18/2007	16.75	17.38	16.55	17.19	938008
6/19/2007	17.25	17.65	16.77	17.05	1141471
6/20/2007	17.05	17.05	16.22	16.55	1204876
6/21/2007	16.57	17.13	15.88	16.42	1348439
6/22/2007	16.38	16.49	15.98	15.98	1831889
6/25/2007	15.8	16.2	15.65	15.84	839554
6/26/2007	15.79	15.95	14.75	15.04	1187631
6/27/2007	14.99	15.32	14.58	15.19	935235
6/28/2007	15.3	15.43	14.85	14.98	850725
6/29/2007	15.04	15.56	15.04	15.3	451357
7/3/2007	15.46	16.39	15.46	16.28	1088634
7/4/2007	16.02	16.96	16.01	16.64	351462
7/5/2007	16.68	17.25	16.65	17.09	991440
7/6/2007	17.06	17.25	16.98	17.08	1420136
7/9/2007	17.05	17.16	16.5	17.05	653479
7/10/2007	17.05	17.18	16.94	17.04	1881542
7/11/2007	16.79	18.29	16.79	17.92	1302972
7/12/2007	18.2	18.2	17.96	18.1	886347

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/13/2007	18.12	18.3	17.91	17.92	574535
7/16/2007	17.9	17.9	17.57	17.6	575490
7/17/2007	17.57	18.15	17.57	17.93	1963010
7/18/2007	17.72	18.29	17.72	18.29	1819439
7/19/2007	18.32	18.88	18.32	18.8	389668
7/20/2007	18.7	19.22	18.61	18.87	1528170
7/23/2007	19.04	19.11	18.11	18.5	577205
7/24/2007	18.5	18.5	17.88	17.89	409523
7/25/2007	17.91	18.74	17.2	17.3	733604
7/26/2007	17	17.05	16.19	16.87	1071588
7/27/2007	16.61	17.99	16.6	17.1	1035097
7/30/2007	17.39	17.65	17.02	17.1	1836386
7/31/2007	17.3	17.63	16.85	16.85	1440454
8/1/2007	16.52	16.72	15.9	16.12	1143209
8/2/2007	16.21	16.33	15.94	16.3	755852
8/3/2007	16.36	16.48	16	16.01	353638
8/7/2007	16.04	16.04	13.01	15.96	753435
8/8/2007	15.96	16.48	15.36	16.45	1285834
8/9/2007	16.11	16.18	15.37	15.6	998882
8/10/2007	15.08	15.38	14.58	14.91	1253247
8/13/2007	15.15	15.68	15	15.26	1239129
8/14/2007	15.45	16.22	15.05	15.23	1175049
8/15/2007	14.78	15.2	14.59	14.84	1165029
8/16/2007	13.67	14.5	13.22	14.25	1499760
8/17/2007	14.44	14.72	13.5	13.97	2087019
8/20/2007	14	14.15	13.9	14.01	1438139
8/21/2007	14.01	14.08	13.87	13.99	1155283
8/22/2007	14.15	17.32	14.14	17.19	2474474
8/23/2007	17.3	17.75	15.95	16.15	1347493
8/24/2007	16.2	17.2	16.2	17.08	1032846
8/27/2007	17.1	17.82	16.83	17.26	583680
8/28/2007	17.02	17.65	17.02	17.28	1282354
8/29/2007	17.45	17.79	17.13	17.46	927473
8/30/2007	17.3	17.8	17.18	17.64	357580
8/31/2007	17.7	18.15	17.7	18	1180243
9/4/2007	17.98	18.63	17.8	18.33	634300
9/5/2007	18.25	19.24	18.25	18.96	2465761
9/6/2007	18.94	19.02	18.75	18.9	1533645
9/7/2007	18.65	19.04	18.62	19.02	1206794
9/10/2007	19	19.41	18.7	19.08	2528689
9/11/2007	19	19.56	18.84	19.56	1475147
9/12/2007	19.5	19.86	19.29	19.4	1077179
9/13/2007	19.41	19.9	19.41	19.81	1714753
9/14/2007	19.85	20.28	19.56	20.28	1525080
9/17/2007	20.27	20.35	20.02	20.21	1920248

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
9/18/2007	20.21	21.09	20.21	21.01	2669671
9/19/2007	21.05	22.18	21	22.15	1641660
9/20/2007	22.26	23.24	22.11	22.86	2458999
9/21/2007	22.81	23.05	22.17	22.17	4031455
9/24/2007	22.08	23	21.55	22.86	1135176
9/25/2007	22.86	22.86	22.01	22.26	2731147
9/26/2007	22.23	22.55	22.11	22.18	663318
9/27/2007	22.38	22.38	21.52	21.81	1351098
9/28/2007	21.8	22.85	21.77	22.48	1174679
10/1/2007	22.48	23.62	22.21	23.47	1319624
10/2/2007	23.94	24.31	23.15	23.59	1927209
10/3/2007	23.55	23.55	22.87	22.87	1851619
10/4/2007	22.85	23.55	22.85	23.19	2304464
10/5/2007	23.4	23.82	23.29	23.66	698383
10/9/2007	23.75	23.8	23.47	23.68	1580204
10/10/2007	24.23	24.48	23.77	24.1	2063826
10/11/2007	24.11	25.07	24.11	24.55	3862540
10/12/2007	24.8	24.99	24.71	24.92	1349601
10/15/2007	25	25.38	24.04	24.13	1646181
10/16/2007	24.15	24.17	23.25	23.58	2214620
10/17/2007	23.51	23.82	22.77	23.1	1567650
10/18/2007	23.12	23.54	22.95	23.54	6689343
10/19/2007	22.25	23.42	22.25	23.17	4038101
10/22/2007	22.71	23.17	22.46	22.76	2173863
10/23/2007	22.6	22.74	22.34	22.51	2775683
10/24/2007	22.54	22.89	22	22.89	1606434
10/25/2007	23.38	23.6	22.51	22.88	2411844
10/26/2007	22.88	24.1	22.88	23.84	1019039
10/29/2007	24	24.85	23.86	24.72	1183662
10/30/2007	24.72	24.94	24.09	24.94	1550968
10/31/2007	24.7	26.15	24.55	25.12	2165685
11/1/2007	24.92	24.92	23.59	23.81	3008124
11/2/2007	23.74	23.99	23.06	23.24	1360223
11/5/2007	23	23.18	22.74	23.18	2458418
11/6/2007	23.47	24.5	23.47	24.06	2456578
11/7/2007	24	24.5	23.4	23.48	1434393
11/8/2007	23.93	24.11	22.5	23.15	1700874
11/9/2007	23.15	23.19	22.2	23	968658
11/12/2007	22.75	22.8	20.48	20.48	2529395
11/13/2007	20.55	21.5	20.5	20.9	2397276
11/14/2007	21.5	22.17	21.42	22	1009978
11/15/2007	21.5	21.78	21.13	21.39	762810
11/16/2007	21.5	21.59	20.07	20.51	1730387
11/19/2007	20.3	20.45	18.23	18.63	2705904
11/20/2007	18.75	19.5	18.71	19.5	2138149

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
11/21/2007	18.86	19.94	18.5	19.5	2505251
11/22/2007	19.2	19.37	18.88	19	479097
11/23/2007	19.24	20.5	19.24	20.38	883421
11/26/2007	20.49	20.5	18.76	19.13	1548586
11/27/2007	19.14	19.98	19.14	19.94	1742012
11/28/2007	20	21.77	20	20.79	1892748
11/29/2007	21	21.25	19.83	21	1749873
11/30/2007	21.2	22.34	21.19	22	4705844
12/3/2007	21.81	21.82	20.84	21.07	1021675
12/4/2007	21.15	21.15	20.49	20.7	885950
12/5/2007	21	21.25	20.75	20.97	1310064
12/6/2007	20.8	20.97	20.2	20.56	805733
12/7/2007	20.6	20.6	19.81	20.15	698496
12/10/2007	20.53	21.32	20.44	20.95	1313170
12/11/2007	21.19	21.7	20.8	20.99	1631898
12/12/2007	21.1	21.1	20.05	20.6	642900
12/13/2007	20.25	20.59	19.8	20	772805
12/14/2007	19.89	19.9	19.05	19.28	1146949
12/17/2007	19.1	19.26	18.2	18.3	1739613
12/18/2007	18.61	19.07	18.06	19	1990718
12/19/2007	19.09	19.09	18.4	18.5	1183859
12/20/2007	18.75	18.99	18.22	18.64	1123120
12/21/2007	18.72	20.09	18.68	20.04	917884
12/24/2007	20.01	20.35	19.63	20.01	232483
12/27/2007	20	20.95	19.82	20.53	646664
12/28/2007	20.59	21.43	20.44	20.79	1203141
12/31/2007	21.02	21.5	20.53	21.44	582114
1/2/2008	21.48	21.76	21.18	21.52	1378331
1/3/2008	21.67	22.23	21.5	21.69	1395886
1/4/2008	21.74	21.74	21.36	21.36	519516
1/7/2008	21.36	21.55	20.38	20.71	630199
1/8/2008	20.45	21.24	20.44	20.82	844339
1/9/2008	21	21.48	20.78	21.18	2382017
1/10/2008	20.9	21.25	20.71	21.01	587719
1/11/2008	20.8	21.42	20.77	20.99	564007
1/14/2008	21.25	22.2	21.07	21.92	1352813
1/15/2008	21.36	21.6	19.87	20.4	1223308
1/16/2008	19.94	20.22	18.16	18.94	1438365
1/17/2008	19.19	19.43	18.76	19.08	888385
1/18/2008	19	19.4	18.51	18.67	1025437
1/21/2008	17.98	17.98	15.65	16.59	593822
1/22/2008	15.11	17.11	15.11	17.09	2827529
1/23/2008	16.75	17.95	16.5	17.74	1010280
1/24/2008	18	18.76	17.76	18.5	587952
1/25/2008	19	19.71	18.21	18.39	506321

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/28/2008	18.39	18.39	17.4	17.83	675000
1/29/2008	17.8	18	17.55	17.74	1073173
1/30/2008	17.51	18.3	17.45	18.07	1768418
1/31/2008	18.07	18.52	17.26	18.44	915198
2/1/2008	18.5	19.82	18.5	19.35	4241986
2/4/2008	19.4	20.93	19.01	19.92	960820
2/5/2008	19.06	19.77	18.86	19.13	1405151
2/6/2008	19.52	19.7	18.96	19.14	527936
2/7/2008	18.51	19.25	18.45	19.2	619193
2/8/2008	19.39	19.8	18.95	19.47	333339
2/11/2008	19.32	19.4	18.77	19.2	411435
2/12/2008	19.35	19.59	18.54	18.76	1154120
2/13/2008	18.7	19	18.43	19	740328
2/14/2008	18.87	19	18.76	18.91	1106931
2/15/2008	18.98	19.17	18.72	19.09	463816
2/19/2008	19.12	19.25	18.74	18.94	571789
2/20/2008	18.78	19	18.39	18.5	722284
2/21/2008	18.54	19.51	18.45	19.35	574316
2/22/2008	19.65	19.65	18.51	18.71	1063397
2/25/2008	18.41	19.24	18.41	19.15	429244
2/26/2008	18.99	19.5	18.94	19.1	558207
2/27/2008	19.1	19.25	18.85	19.25	351624
2/28/2008	19.3	19.3	18.93	18.98	277886
2/29/2008	19.05	19.05	18.51	18.98	409839
3/3/2008	19.14	19.17	18.8	19.14	1790468
3/4/2008	19.16	19.22	18.75	19.06	1031041
3/5/2008	19	19.85	18.94	19.65	1505733
3/6/2008	19.92	20.33	18.46	18.6	1029339
3/7/2008	18.3	18.38	17.4	17.94	1551609
3/10/2008	17.98	18	16.81	17.11	1050933
3/11/2008	17.25	18.15	17.2	18.11	722458
3/12/2008	18.05	18.1	17.41	17.72	457411
3/13/2008	17.38	18	16.7	17.75	1301300
3/14/2008	17.75	18.08	16.73	17	912668
3/17/2008	16.57	16.87	16.19	16.87	711970
3/18/2008	16.36	16.85	15.7	16.83	2097833
3/19/2008	16.3	16.73	14.48	15	8278645
3/20/2008	15	15.08	14.01	14.92	1185542
3/24/2008	15	15.76	14.93	15.74	810095
3/25/2008	15.89	15.93	15.51	15.82	1264928
3/26/2008	15.9	16.73	15.59	16.31	604772
3/27/2008	16.47	16.6	15.9	15.97	1140738
3/28/2008	15.98	15.98	15.4	15.75	585211
3/31/2008	15.75	16.1	15.67	16	1072100
4/1/2008	16	16.75	16	16.66	1220197

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/2/2008	17	17.25	16.85	17.23	1746596
4/3/2008	17.15	18.2	17.09	17.74	2484136
4/4/2008	17.7	17.75	17.43	17.62	500928
4/7/2008	17.62	18.3	17.62	17.9	444404
4/8/2008	17.36	18.05	17.31	17.35	1192416
4/9/2008	17.5	17.5	16.58	16.7	5699720
4/10/2008	16.8	16.88	16.4	16.48	353596
4/11/2008	16.53	16.53	15.8	16.09	611191
4/14/2008	16.41	16.45	15.77	16.02	712388
4/15/2008	16.33	16.33	15.55	15.63	191676
4/16/2008	15.65	15.69	15.49	15.61	409259
4/17/2008	15.64	15.64	14.9	15.25	2107835
4/18/2008	15.3	16.03	15.1	15.89	560357
4/21/2008	15.86	16.39	15.21	15.21	574701
4/22/2008	15.38	15.5	15.1	15.35	182005
4/23/2008	15.41	15.47	15.05	15.1	366443
4/24/2008	15	15.45	15	15.27	1105330
4/25/2008	15.38	15.59	15.21	15.45	737885
4/28/2008	15.45	15.64	15.45	15.59	673503
4/29/2008	15.59	16.04	15.52	15.52	875091
4/30/2008	15.86	15.86	15.19	15.25	1002811
5/1/2008	15.12	15.32	15.1	15.28	891006
5/2/2008	15.43	16.66	15.25	16	500069
5/5/2008	16.22	16.56	16.01	16.27	549802
5/6/2008	16.3	17.19	16.18	17.07	631357
5/7/2008	17.08	17.72	17.08	17.4	1059323
5/8/2008	17.5	17.55	16.59	17.42	837990
5/9/2008	17.6	17.6	16.6	17	393896
5/12/2008	17.08	17.31	16.11	16.24	708377
5/13/2008	16.24	17.23	16.11	16.96	1971334
5/14/2008	17.02	17.02	16.76	16.83	658648
5/15/2008	17.05	18.92	17.05	18.72	1588168
5/16/2008	19.04	19.71	18.5	18.55	662317
5/20/2008	18.75	18.75	17.48	17.83	5641564
5/21/2008	17.85	18.67	17.85	18.03	358132
5/22/2008	18.25	18.3	17.73	18.3	557468
5/23/2008	18.3	18.4	17.86	18.13	566330
5/26/2008	18.15	18.46	18.15	18.38	91617
5/27/2008	18.45	19.5	18.45	19.23	1218775
5/28/2008	19.31	20.38	18.82	19.91	939734
5/29/2008	19.65	20.11	19.55	20.01	1309322
5/30/2008	20	21.2	20	20.8	2434277
6/2/2008	20.8	21.23	19.62	19.99	2097855
6/3/2008	20.3	20.3	19.43	19.51	1063498
6/4/2008	19.38	20	19.38	19.8	2161185

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
6/5/2008	19.71	20.05	19.71	19.97	2144479
6/6/2008	19.95	20.05	19.8	19.9	1387894
6/9/2008	19.9	20	18.95	19.18	1085714
6/10/2008	19.17	19.25	18.55	18.8	491858
6/11/2008	18.8	18.82	18.13	18.16	1959056
6/12/2008	18	18.9	17.96	18.35	371441
6/13/2008	18.2	18.75	18.2	18.68	334902
6/16/2008	18.99	19.21	18.62	19	209587
6/17/2008	19	19.27	18.9	19.04	973128
6/18/2008	19	19.17	18.72	19.04	275910
6/19/2008	18.77	18.99	18.43	18.7	353865
6/20/2008	18.7	19.1	18.33	18.33	330354
6/23/2008	19.05	19.15	18.51	18.69	718732
6/24/2008	18.76	18.77	18.08	18.48	447013
6/25/2008	18.61	19.04	18.33	18.83	655305
6/26/2008	18.83	18.95	17.8	17.9	850345
6/27/2008	17.79	18.19	17.74	17.86	434347
6/30/2008	17.95	18.24	17.02	17.86	758663
7/2/2008	18.25	18.72	16.54	16.97	857291
7/3/2008	16.97	17.47	15.27	16.3	780488
7/4/2008	16.35	16.51	16	16.34	255973
7/7/2008	16.38	16.69	15.88	16.39	639912
7/8/2008	16.5	16.51	16.07	16.3	981292
7/9/2008	16.4	16.65	16.23	16.3	1454161
7/10/2008	16.41	16.63	16	16.34	277822
7/11/2008	16.21	16.5	15.85	15.89	1184762
7/14/2008	15.85	16.48	15.85	16.12	363875
7/15/2008	15.89	16	15.23	15.41	378579
7/16/2008	15.5	15.5	14.9	15.45	1555816
7/17/2008	15.36	15.62	15.03	15.05	2721803
7/18/2008	15.19	15.19	14.76	14.8	2127881
7/21/2008	15.02	15.06	14.5	14.5	521165
7/22/2008	14.52	14.66	14.38	14.52	654919
7/23/2008	14.65	14.65	14.49	14.56	535756
7/24/2008	14.62	14.66	14.45	14.45	581430
7/25/2008	14.6	14.6	14.5	14.55	464020
7/28/2008	14.62	14.68	14.41	14.56	510604
7/29/2008	14.55	15.17	14.51	15.17	1157988
7/30/2008	15.4	16.92	15.06	15.98	1305854
7/31/2008	16.24	16.44	15.62	16.3	726213
8/1/2008	16	16.08	15.84	15.84	1267459
8/5/2008	15.5	15.85	15.5	15.85	1121875
8/6/2008	15.86	16.1	15.23	15.31	381544
8/7/2008	15.4	15.7	15.23	15.69	619273
8/8/2008	15.87	15.87	15.16	15.6	162696

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
8/11/2008	15.51	15.65	14.81	15	425702
8/12/2008	16	17.5	16	17.5	1633520
8/13/2008	17.65	17.8	17.11	17.7	824581
8/14/2008	17.88	18.92	17.51	18.75	453476
8/15/2008	18.5	18.84	18.5	18.79	363688
8/18/2008	18.71	19.04	18.71	18.87	355280
8/19/2008	18.86	19.05	18.4	18.5	725221
8/20/2008	18.49	18.98	18.33	18.89	441199
8/21/2008	18.83	19.57	18.75	19.07	769000
8/22/2008	19	20.72	19	19.49	622020
8/25/2008	19.49	19.62	18.84	18.95	640475
8/26/2008	18.8	19.1	18.72	18.8	667397
8/27/2008	18.8	19.59	18.8	19.32	286856
8/28/2008	19.46	19.9	19.2	19.84	357205
8/29/2008	19.94	20	19.7	20	307575
9/2/2008	19.99	19.99	19.31	19.5	291060
9/3/2008	19.57	19.98	19.5	19.69	865804
9/4/2008	20.03	20.03	18.59	18.82	1488756
9/5/2008	18.74	18.74	17.39	17.7	443712
9/8/2008	17.86	18.22	17.22	17.31	267707
9/9/2008	17.02	17.25	16.25	16.6	459704
9/10/2008	17.31	18.4	16.7	18	432872
9/11/2008	18.29	18.29	17.21	17.95	223551
9/12/2008	18.04	19	18.03	18.5	373189
9/15/2008	17.5	18.58	17.5	18	401365
9/16/2008	17.4	18	16.53	17.02	303595
9/17/2008	17.01	17.13	15.66	15.93	637674
9/18/2008	15.65	16.8	14.08	16.8	1709727
9/19/2008	17.12	17.41	16.62	17.04	1543918
9/22/2008	17.47	17.47	16	16.26	274994
9/23/2008	16.05	16.76	15.5	16	1111512
9/24/2008	15.51	15.92	15.23	15.92	619505
9/25/2008	15.52	15.96	15.52	15.69	877440
9/26/2008	15.34	15.53	14.87	15	2000550
9/29/2008	14.8	14.99	12.9	13	2637119
9/30/2008	13.1	14.2	13.1	13.41	1546514
10/1/2008	13.41	14	13.05	13.05	676207
10/2/2008	13.04	13.04	11.58	12.1	777827
10/3/2008	12.27	13.19	12.27	12.59	1703301
10/6/2008	10.8	11.23	9.34	10.6	1876050
10/7/2008	10.8	11.3	9.87	10.01	1377887
10/8/2008	9.69	10.89	9.4	10.67	1345459
10/9/2008	11.5	11.5	9.92	9.97	1965086
10/10/2008	9.22	9.69	8.61	9.1	1587637
10/14/2008	10.99	11.17	9.76	10.08	795065

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
10/15/2008	10.08	10.49	9.39	9.6	1799759
10/16/2008	9.7	9.78	8.99	9.56	1523164
10/17/2008	9.61	9.98	9.57	9.85	1163572
10/20/2008	10.2	10.2	9.25	9.75	1439257
10/21/2008	9.65	9.77	9.36	9.39	1023716
10/22/2008	9.39	9.45	9.05	9.14	1673550
10/23/2008	9.15	9.7	9.12	9.7	1696063
10/24/2008	9.14	9.35	8.35	9.35	1685586
10/27/2008	9.26	9.69	8.7	8.85	945252
10/28/2008	9.1	9.45	8.85	9.3	1023039
10/29/2008	9.68	10.98	9.4	10.35	2427704
10/30/2008	10.56	11.14	10.32	11.14	1635710
10/31/2008	11.24	12.99	10.86	11.28	1490027
11/3/2008	11.25	11.25	10.2	10.65	1463444
11/4/2008	11	11.08	10.25	10.5	811665
11/5/2008	10.5	11.36	10.16	10.38	981118
11/6/2008	10.59	10.79	9.8	10.2	5095911
11/7/2008	10.31	10.48	9.62	9.71	640919
11/10/2008	10.34	10.44	9.12	9.34	851706
11/11/2008	9.26	9.31	8.8	8.9	725337
11/12/2008	8.84	8.85	7.49	7.68	3757156
11/13/2008	7.9	8.13	6.5	6.62	1253775
11/14/2008	6.67	7.3	6.67	7.08	3100167
11/17/2008	7.12	7.19	6.61	6.86	1214150
11/18/2008	6.9	6.9	6.5	6.65	2174091
11/19/2008	6.72	6.84	6.42	6.55	1285283
11/20/2008	6.49	6.49	5.51	6.05	1798087
11/21/2008	6.44	6.44	5.5	5.78	1444958
11/24/2008	5.85	6.05	5.71	5.81	1188455
11/25/2008	5.84	5.93	5.25	5.53	1726050
11/26/2008	5.41	5.73	5.25	5.62	3710301
11/27/2008	5.62	6.33	5.45	6.27	602075
11/28/2008	6.31	7.24	6.25	7.24	834293
12/1/2008	6.76	7	6.15	6.43	1034662
12/2/2008	6.46	6.95	6.25	6.9	2493099
12/3/2008	6.56	6.9	6.52	6.71	1092342
12/4/2008	6.72	7.45	6.59	6.88	762715
12/5/2008	6.88	7.18	6.51	7.11	607502
12/8/2008	7.51	8.34	7.29	8.34	671168
12/9/2008	8.38	8.87	8.02	8.25	653427
12/10/2008	8.68	9.89	8.47	9.68	1356179
12/11/2008	9.68	10.25	9.3	9.55	601453
12/12/2008	8.65	9.48	8.65	9.4	570658
12/15/2008	9.4	9.41	8.92	8.92	1005124
12/16/2008	8.9	9.26	8.88	9.2	857720

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
12/17/2008	8.96	9.05	8.96	9.05	15398
12/18/2008	9	9.44	8.86	9.44	896914
12/19/2008	9.01	10.6	9.01	10.6	879627
12/22/2008	10.6	10.6	9.3	9.3	419972
12/23/2008	9.49	9.96	9.15	9.35	493490
12/24/2008	9.1	9.39	9.05	9.05	1908180
12/29/2008	9.72	9.74	9.46	9.64	285016
12/30/2008	9.84	10.11	9.62	10.07	577930
12/31/2008	10.25	10.25	9.61	9.87	2652040
1/2/2009	9.86	10.2	9.77	10.12	274441
1/5/2009	10.23	10.25	9.43	9.95	298217
1/6/2009	10.24	10.9	10.07	10.74	315547
1/7/2009	10.74	10.79	9.8	9.93	820661
1/8/2009	9.91	10.3	9.75	10.25	983402
1/9/2009	10.18	10.26	9.8	10	545252
1/12/2009	9.99	9.99	9.05	9.3	391801
1/13/2009	9.35	9.74	9.2	9.35	337910
1/14/2009	9.34	9.34	8.98	8.98	175933
1/15/2009	9	9.22	8.81	9	396977
1/16/2009	9.27	9.5	8.81	9.38	439716
1/19/2009	9.55	9.57	9.03	9.08	67076
1/20/2009	9.1	9.14	8.54	8.76	162620
1/21/2009	8.97	9	8.59	9	298729
1/22/2009	8.8	9.17	8.46	9	201730
1/23/2009	8.84	8.99	8.75	8.8	172999
1/26/2009	8.8	9.04	8.71	8.9	63558
1/27/2009	8.95	9.02	8.87	8.92	86810
1/28/2009	9.24	9.24	8.88	9.01	137827
1/29/2009	9.01	9.01	8.71	8.77	149682
1/30/2009	9.05	9.37	9	9.2	665740
2/2/2009	9	9.01	8.52	8.69	290620
2/3/2009	8.6	9.24	8.55	9.13	238582
2/4/2009	9.25	10.04	9	9.5	513989
2/5/2009	9.61	9.88	9.5	9.82	186669
2/6/2009	9.72	11.21	9.72	11.14	518608
2/9/2009	11.38	11.38	10.75	10.77	767444
2/10/2009	10.5	11.15	10.46	10.54	388818
2/11/2009	10.54	10.95	10.28	10.68	439787
2/12/2009	10.67	11.02	10.35	11	956465
2/13/2009	10.65	11.02	10.65	10.99	146946
2/17/2009	10.73	11.08	10.37	11	213022
2/18/2009	10.71	10.94	10.11	10.15	589531
2/19/2009	10.49	10.49	10	10.14	120736
2/20/2009	9.86	10.3	9.39	10	406754
2/23/2009	10.15	10.15	9.21	9.35	240905

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
2/24/2009	9.26	9.35	8.45	8.5	1598074
2/25/2009	8.85	9.05	8.65	8.78	475053
2/26/2009	8.99	9.25	8.26	8.6	346392
2/27/2009	8.6	8.6	8.28	8.5	305694
3/2/2009	8.42	8.5	7.32	7.53	594150
3/3/2009	7.6	7.75	6.52	6.99	640742
3/4/2009	7.5	8.15	7.46	7.8	1322630
3/5/2009	7.8	8.72	7.63	8.32	1257410
3/6/2009	8.3	8.55	8.25	8.29	406267
3/9/2009	8.3	8.44	8.1	8.2	486460
3/10/2009	8.35	8.98	8.35	8.8	517593
3/11/2009	8.9	9.05	8.52	8.65	547145
3/12/2009	8.8	8.86	8.3	8.85	196063
3/13/2009	8.85	8.98	8.5	8.58	495465
3/16/2009	8.83	8.89	7.95	8.02	313542
3/17/2009	8.47	8.47	7.9	7.95	617236
3/18/2009	8	8.04	7.46	7.99	476062
3/19/2009	8.2	8.29	7.82	7.87	288933
3/20/2009	8	8	7.4	7.47	387958
3/23/2009	7.76	8	7.69	7.98	587220
3/24/2009	8	8	7.85	7.9	207696
3/25/2009	7.95	8.04	7.86	7.87	539084
3/26/2009	8.19	8.51	7.99	8.25	1174210
3/27/2009	8.19	8.51	8.1	8.29	607766
3/30/2009	8.27	8.27	7.93	8.01	476933
3/31/2009	8.12	8.79	8.12	8.79	1518494
4/1/2009	8.91	8.92	8.6	8.87	526392
4/2/2009	9.23	10.86	9.23	10.15	1649332
4/3/2009	9.79	10	9.2	9.46	607576
4/6/2009	9.44	9.78	9.2	9.78	621875
4/7/2009	9.5	9.6	9.05	9.18	1166164
4/8/2009	9.12	9.18	8.73	8.84	317751
4/9/2009	9.1	9.38	9.05	9.31	210544
4/13/2009	9.25	9.7	9.21	9.55	230887
4/14/2009	9.55	10.25	9.55	10.2	505301
4/15/2009	10.21	10.25	9.73	10	475540
4/16/2009	10.3	10.5	9.94	9.99	647585
4/17/2009	10.22	10.48	10.09	10.3	564957
4/20/2009	10.29	10.29	9.75	9.92	486568
4/21/2009	9.75	10.02	9.53	9.78	413224
4/22/2009	9.76	10.1	9.76	9.93	372018
4/23/2009	9.94	10.13	9.9	10	1067636
4/24/2009	10.24	10.37	10	10.2	621324
4/27/2009	10	10.2	9.83	10.19	261266
4/28/2009	10.2	10.5	10	10.5	261275

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/29/2009	10.5	11.06	10.5	10.62	332629
4/30/2009	10.84	11.25	10.44	10.44	523042
5/1/2009	10.7	11.36	10.39	11.32	350647
5/4/2009	11.5	11.72	11.22	11.49	455949
5/5/2009	11.5	11.61	11.4	11.5	712674
5/6/2009	11.65	12.94	11.65	12.8	1233485
5/7/2009	12.79	13.08	11.41	12.16	1574142
5/8/2009	12.39	12.83	12.1	12.83	666455
5/11/2009	12.83	12.83	11.56	11.96	423588
5/12/2009	12.19	12.22	11.6	11.95	1578440
5/13/2009	11.85	11.88	11.25	11.63	692200
5/14/2009	11.51	12.55	11.51	12.27	3292739
5/15/2009	12.49	12.59	12	12.4	273616
5/19/2009	12.65	12.69	12.44	12.66	349882
5/20/2009	12.68	13.1	12.67	13.01	668084
5/21/2009	12.75	13.01	12.31	12.81	769989
5/22/2009	11.37	11.67	11.11	11.3	3875449
5/25/2009	11.15	11.58	11.15	11.49	1371333
5/26/2009	11.5	12.27	11.41	11.85	1735975
5/27/2009	11.9	12	11.65	11.65	1329021
5/28/2009	11.56	12.06	11.56	12.06	968710
5/29/2009	12.2	12.88	12.11	12.7	1625860
6/1/2009	12.98	13.5	12.9	13.4	669558
6/2/2009	13.49	13.71	13.03	13.52	1072139
6/3/2009	13.45	13.45	12.66	13	570733
6/4/2009	13.3	13.6	12.85	13.6	554141
6/5/2009	13.83	14.86	13.73	14.86	2048109
6/8/2009	14.86	14.86	13.85	14.43	854323
6/9/2009	14.15	14.37	13.75	13.88	934807
6/10/2009	13.96	14.25	13.39	13.41	1375548
6/11/2009	13.5	14.03	13.02	14.01	1747686
6/12/2009	14.14	14.14	13.71	13.8	554200
6/15/2009	13.8	14.01	13.4	13.72	813768
6/16/2009	13.95	14.2	13.89	14.11	1278207
6/17/2009	14.11	14.15	13.4	13.76	765245
6/18/2009	13.56	13.85	13.06	13.36	733555
6/19/2009	13.52	14.32	13.31	13.76	3401803
6/22/2009	13.69	13.69	12.85	13.23	1198483
6/23/2009	13.06	13.43	12.57	12.92	833157
6/24/2009	13	13.3	12.99	13.1	782813
6/25/2009	13.19	13.28	12.85	13.24	861365
6/26/2009	13.17	13.25	12.91	13.14	472162
6/29/2009	13.24	13.25	12.81	12.88	425505
6/30/2009	12.72	12.85	12.02	12.4	899279
7/2/2009	12.4	12.59	11.04	12.5	746968

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/3/2009	12.2	12.85	12.2	12.64	165307
7/6/2009	12.26	12.43	12	12.17	850019
7/7/2009	12.05	12.24	11.88	12.16	1308581
7/8/2009	12.1	12.28	11.2	11.4	1838503
7/9/2009	11.4	12.22	11.35	12.1	721728
7/10/2009	12.21	12.5	12.1	12.3	497782
7/13/2009	12.44	12.68	12.15	12.58	5533371
7/14/2009	12.98	13.3	12.56	13.25	1695220
7/15/2009	13.27	13.62	13.11	13.56	1553675
7/16/2009	13.7	13.78	13.5	13.55	262826
7/17/2009	13.94	13.94	13.49	13.75	956809
7/20/2009	13.73	13.9	13.63	13.8	472727
7/21/2009	13.85	13.9	13.38	13.74	499377
7/22/2009	13.72	13.73	13.6	13.73	328190
7/23/2009	13.74	13.74	13.4	13.7	385424
7/24/2009	13.7	13.7	13.16	13.39	508882
7/27/2009	13.49	14.2	13.48	14.01	1078272
7/28/2009	13.98	14	13.65	13.8	416078
7/29/2009	13.6	13.78	13.25	13.47	405537
7/30/2009	13.6	14.15	13.59	14.05	333277
7/31/2009	14.05	15.08	13.93	14.7	646120
8/4/2009	14.95	15.38	14.86	15.26	876075
8/5/2009	15.3	15.6	15.11	15.59	664021
8/6/2009	15.72	16.28	15.72	16.01	1453588
8/7/2009	15.9	16.4	15.83	16.19	527999
8/10/2009	16.4	16.45	15.9	15.92	371030
8/11/2009	15.75	16.05	15.42	15.42	703031
8/12/2009	15.58	16.08	15.52	15.9	483661
8/13/2009	15.86	16.08	15.17	16.05	840275
8/14/2009	16.08	16.16	15.67	16.16	420641
8/17/2009	15.5	15.83	15.06	15.37	1063208
8/18/2009	15.4	15.5	15.2	15.4	419623
8/19/2009	15.25	15.39	14.93	15.15	567503
8/20/2009	15.15	15.15	14.61	14.8	633449
8/21/2009	14.98	15.4	14.86	15.25	531057
8/24/2009	15.27	15.43	14.97	15	298160
8/25/2009	15.38	15.39	14.92	15.24	350942
8/26/2009	15.4	15.4	14.82	14.85	586471
8/27/2009	14.85	15.28	14.65	15.21	398629
8/28/2009	15.21	15.3	14.65	14.7	627269
8/31/2009	14.7	14.77	13.14	13.6	1449536
9/1/2009	13.58	14.14	13.44	13.48	1355383
9/2/2009	13.5	14	13.38	13.69	252729
9/3/2009	13.94	14.31	13.77	14.15	286941
9/4/2009	14.14	14.45	13.85	14.45	432455

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
9/8/2009	15	15.9	14.96	15.55	1360678
9/9/2009	15.55	16.24	15.5	16.17	1035582
9/10/2009	16.1	17.18	16	17.16	977699
9/11/2009	17.16	17.47	17.13	17.38	785678
9/14/2009	17.29	17.38	17.14	17.31	479432
9/15/2009	17.31	17.5	17.12	17.42	648864
9/16/2009	17.4	17.76	17.2	17.35	867581
9/17/2009	17.2	17.35	17.06	17.35	507498
9/18/2009	17.39	18.25	17.35	18.21	828053
9/21/2009	17.83	18.05	17.83	17.9	737289
9/22/2009	18.05	18.53	17.87	18.41	471091
9/23/2009	18.35	18.97	18.35	18.45	720921
9/24/2009	18.4	18.46	16.77	16.86	598147
9/25/2009	17	17	15.8	16	1471990
9/28/2009	16.45	17.09	16.01	16.7	607986
9/29/2009	16.71	17.18	16.55	16.85	1611893
9/30/2009	17.24	17.25	16.35	16.91	742189
10/1/2009	17.17	17.2	15.81	15.95	883094
10/2/2009	15.5	16.58	15.44	16.49	1118186
10/5/2009	16.59	16.6	16.15	16.45	339023
10/6/2009	16.65	16.85	16.28	16.35	574360
10/7/2009	16.5	17.16	16.37	16.95	322052
10/8/2009	17.05	17.09	16.37	16.59	574605
10/9/2009	16.64	16.97	16.55	16.8	289976
10/13/2009	16.9	16.91	16.61	16.84	1457306
10/14/2009	16.95	17.17	16.91	16.92	448771
10/15/2009	16.96	17.39	16.61	16.64	324337
10/16/2009	16.66	17.03	16.66	16.9	253136
10/19/2009	16.9	16.98	16.6	16.65	213742
10/20/2009	16.85	16.89	16.51	16.65	368007
10/21/2009	16.75	17.63	16.63	17.08	1066779
10/22/2009	17.22	17.22	16.5	16.6	610305
10/23/2009	16.6	16.87	16.27	16.34	525279
10/26/2009	16.65	16.75	16.45	16.6	441086
10/27/2009	16.64	16.71	16.11	16.11	458775
10/28/2009	16	16	15.01	15.1	718185
10/29/2009	15.3	15.96	15.23	15.65	408565
10/30/2009	15.55	15.61	14.5	15.23	864355
11/2/2009	15.25	16.68	15.25	16.4	666367
11/3/2009	15.87	16.18	15.78	16	834014
11/4/2009	16	17.62	15.99	17.52	1074568
11/5/2009	17.5	17.75	17.25	17.64	496952
11/6/2009	17.6	17.65	17.24	17.62	333786
11/9/2009	17.79	18.61	17.79	18.39	666385
11/10/2009	18.38	18.38	17.53	17.65	566644

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
11/11/2009	17.8	18	17.13	17.55	386892
11/12/2009	17.99	18.48	17.58	17.71	819673
11/13/2009	17.83	18.12	17.73	18.08	418364
11/16/2009	18.35	18.44	17.92	18.37	878639
11/17/2009	18.25	19.7	18.07	19.56	1126524
11/18/2009	19.7	19.7	18.61	18.68	1088005
11/19/2009	18.53	18.87	18.33	18.78	621451
11/20/2009	18.55	18.81	18.55	18.64	350315
11/23/2009	18.85	18.99	18.55	18.95	326681
11/24/2009	19.01	19.19	18.47	18.6	397379
11/25/2009	18.8	18.9	18.55	18.69	677061
11/26/2009	18.5	18.69	18.48	18.6	75734
11/27/2009	18.1	18.6	18.01	18.55	329552
11/30/2009	18.41	18.7	18.2	18.47	663625
12/1/2009	18.86	20.03	18.84	19.84	1372027
12/2/2009	19.34	19.34	18.53	19	1413176
12/3/2009	18.97	18.98	18.56	18.85	692411
12/4/2009	18.95	19.09	18.38	18.71	1078758
12/7/2009	18.7	18.78	18.39	18.42	523522
12/8/2009	18.27	18.27	17.9	18.04	515959
12/9/2009	18.05	18.05	17.44	17.7	1003551
12/10/2009	17.7	17.7	16.14	16.8	5174018
12/11/2009	16.8	17.7	16.8	17.54	8019701
12/14/2009	17.51	17.77	17.32	17.65	1913019
12/15/2009	17.7	17.7	17.5	17.58	918405
12/16/2009	17.6	17.75	17.41	17.53	1316244
12/17/2009	17.39	17.52	17.21	17.52	2388635
12/18/2009	17.5	17.5	17.18	17.32	1598424
12/21/2009	17.4	18.04	17.37	17.92	708472
12/22/2009	18.05	18.89	17.97	18.75	1847518
12/23/2009	18.89	19.47	18.88	19.3	1265583
12/24/2009	19.39	19.6	19.29	19.6	267752
12/29/2009	19.6	19.79	19.45	19.65	747352
12/30/2009	19.5	19.52	19.07	19.33	341785
12/31/2009	19.34	19.57	19.08	19.38	186937
1/4/2010	19.58	19.74	19.51	19.65	1050719
1/5/2010	19.65	20.38	19.65	20.24	1428106
1/6/2010	20.38	21.04	20.31	20.55	1385961
1/7/2010	20.65	20.97	19.69	20.03	1638235
1/8/2010	19.95	20.53	19.68	20.23	1203873
1/11/2010	20.4	21.2	20.4	20.49	1485005
1/12/2010	20.5	21.53	20.4	20.98	1401923
1/13/2010	21.2	21.35	20.52	20.86	1164723
1/14/2010	20.9	20.9	20.11	20.3	732625
1/15/2010	20.11	20.21	19.4	19.83	918335

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
1/18/2010	19.85	20.3	19.74	20	210843
1/19/2010	20.14	20.14	19.51	19.57	720501
1/20/2010	19.3	19.69	18.62	19.61	2115321
1/21/2010	19.34	20.2	19.11	19.17	1444248
1/22/2010	19.19	19.54	18.71	19.15	1497112
1/25/2010	19.12	19.25	18.51	18.85	1243644
1/26/2010	18.61	18.83	18.51	18.7	1395589
1/27/2010	18.52	18.52	17.51	18.15	1517941
1/28/2010	18.48	18.69	18.31	18.43	1070741
1/29/2010	18.61	18.9	18.21	18.57	1234716
2/1/2010	18.74	19.31	18.43	19.2	1613000
2/2/2010	19.49	20.1	19.4	19.99	800742
2/3/2010	19.75	20.22	19.41	19.58	913464
2/4/2010	19.5	19.5	18.59	18.65	891971
2/5/2010	18.75	18.9	18.19	18.39	946108
2/8/2010	18.42	18.78	18.32	18.4	913997
2/9/2010	18.7	19.25	18.42	19.18	800992
2/10/2010	19.1	19.56	19.04	19.29	799170
2/11/2010	19.26	19.67	19.15	19.65	479992
2/12/2010	19.46	19.49	19.16	19.39	487303
2/16/2010	19.45	19.7	19.39	19.54	543794
2/17/2010	19.75	20.2	19.71	19.75	902003
2/18/2010	19.84	20.47	19.81	20.27	770680
2/19/2010	20.27	20.27	19.86	19.97	679995
2/22/2010	20	20.18	19.71	19.89	231845
2/23/2010	19.75	19.82	19.51	19.52	368751
2/24/2010	19.61	19.83	19.56	19.75	543856
2/25/2010	19.75	19.84	19.51	19.82	469083
2/26/2010	19.82	20.47	19.76	20.47	1090161
3/1/2010	20.5	21.04	20.5	20.6	611938
3/2/2010	20.6	20.75	20.4	20.5	609493
3/3/2010	20.69	21.1	20.59	21.05	949530
3/4/2010	21.32	21.5	21.09	21.4	818891
3/5/2010	21.4	21.74	21.4	21.59	927100
3/8/2010	21.6	21.64	21.37	21.53	283509
3/9/2010	21.5	21.5	20.63	20.66	542386
3/10/2010	20.94	21.04	20.57	20.8	659398
3/11/2010	20.7	20.74	20.35	20.55	941275
3/12/2010	20.55	21.44	20.55	21.44	1351608
3/15/2010	21.56	21.58	21.17	21.31	1444346
3/16/2010	21.19	21.24	20.6	20.68	1097256
3/17/2010	20.7	20.7	20.03	20.14	1726217
3/18/2010	19.95	20.18	19.38	20.02	2435864
3/19/2010	20.02	20.02	19.71	19.88	2357271
3/22/2010	19.91	20.54	19.57	20.49	6226296

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
3/23/2010	20.62	21.04	20.56	20.68	1573567
3/24/2010	20.68	20.73	19.91	19.91	1416254
3/25/2010	20.2	20.37	19.59	19.63	3176898
3/26/2010	19.7	19.9	19.27	19.3	1975747
3/29/2010	19.4	19.45	18.89	19.05	4372490
3/30/2010	19	19.63	18.93	19.56	1724882
3/31/2010	19.55	20.03	19.51	19.9	1885218
4/1/2010	20.18	20.35	19.77	20.16	1628100
4/5/2010	20.23	20.55	20.09	20.2	559062
4/6/2010	20.09	20.43	20.04	20.13	760063
4/7/2010	20.13	20.13	19.65	19.84	801822
4/8/2010	19.7	20.23	19.7	20.05	708247
4/9/2010	20.2	20.28	19.9	20.26	393055
4/12/2010	20.27	20.93	20.25	20.75	1543520
4/13/2010	20.75	20.77	20.5	20.59	916617
4/14/2010	20.84	20.98	20.56	20.57	969914
4/15/2010	20.75	20.92	20.4	20.4	958062
4/16/2010	20.4	20.4	19.35	19.8	1367773
4/19/2010	19.75	19.82	19.28	19.75	2729015
4/20/2010	19.84	19.84	19.41	19.54	1470477
4/21/2010	19.51	19.7	19.5	19.7	1138551
4/22/2010	19.7	19.94	19.57	19.8	1038746
4/23/2010	19.65	19.81	19.39	19.49	1314124
4/26/2010	19.55	19.64	19.28	19.4	816560
4/27/2010	19.4	19.4	18.55	18.62	2073469
4/28/2010	18.66	18.75	18.31	18.4	675689
4/29/2010	18.41	18.5	17.71	17.86	2522762
4/30/2010	17.9	18.22	17.51	18.06	3413337
5/3/2010	18.06	18.67	18.06	18.1	1869922
5/4/2010	18.1	18.1	17.67	17.85	1160352
5/5/2010	17.6	18.52	17.31	18.17	1652109
5/6/2010	18.17	18.34	16.52	17.56	1437579
5/7/2010	17.6	17.9	16.84	17.06	1373637
5/10/2010	17.7	17.97	17.51	17.81	1310438
5/11/2010	17.77	17.78	17.22	17.4	937840
5/12/2010	17.83	18.45	17.67	18.22	1257743
5/13/2010	18.43	18.68	17.68	17.85	1480798
5/14/2010	17.55	17.73	16.89	17.64	1005628
5/17/2010	17.83	17.96	17.26	17.62	1569090
5/18/2010	17.86	18.23	17.46	17.63	1714437
5/19/2010	17.61	17.74	16.83	16.91	1518973
5/20/2010	16.52	16.68	16.21	16.29	1670063
5/21/2010	16.39	16.96	16.01	16.77	1548177
5/25/2010	15.27	17.09	15.25	16.99	2541218
5/26/2010	17.5	17.68	16.76	17.01	1062397

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
5/27/2010	17.38	18.04	17.37	17.66	895821
5/28/2010	17.7	18.19	17.64	18.04	2241584
5/31/2010	18.25	18.28	18.03	18.19	193589
6/1/2010	18.15	18.15	16.86	16.95	1722527
6/2/2010	17.01	17.14	16.2	16.67	1207251
6/3/2010	16.75	16.98	16.02	16.37	1185270
6/4/2010	16.3	16.9	16.3	16.34	980707
6/7/2010	16.42	16.69	15.96	15.99	1190677
6/8/2010	16.11	16.6	15.95	16.45	677453
6/9/2010	16.55	16.61	16.2	16.57	1237632
6/10/2010	16.65	16.73	16.36	16.58	487663
6/11/2010	16.55	16.85	16.47	16.85	507048
6/14/2010	16.94	17.08	16.94	17.03	551793
6/15/2010	17.09	17.48	16.96	17.1	1471622
6/16/2010	16.99	17.07	16.76	16.99	564654
6/17/2010	16.97	17.17	16.92	17.06	335837
6/18/2010	17.04	17.58	17.04	17.41	1076434
6/21/2010	17.55	17.94	17.5	17.8	995951
6/22/2010	17.41	17.93	17.34	17.34	704686
6/23/2010	17.19	17.55	17.12	17.54	387746
6/24/2010	17.54	17.78	17.21	17.28	1007524
6/25/2010	17.3	17.3	16.88	16.88	578697
6/28/2010	16.88	17.08	16.42	16.58	456168
6/29/2010	16.31	16.41	15.29	15.29	1189273
6/30/2010	15.3	15.58	15.13	15.13	1301744
7/2/2010	15.3	15.52	15.1	15.1	1493850
7/5/2010	15.41	15.49	15.16	15.19	359749
7/6/2010	15.4	15.47	15.12	15.33	1294424
7/7/2010	15.39	15.45	15.3	15.41	1832915
7/8/2010	15.59	15.9	15.49	15.75	2010785
7/9/2010	15.79	16.23	15.73	16.15	832053
7/12/2010	16.25	16.39	15.84	15.98	637176
7/13/2010	16.29	16.44	15.92	16.3	1211240
7/14/2010	16.4	16.4	15.85	15.9	659976
7/15/2010	15.9	15.9	15.53	15.84	1407952
7/16/2010	15.85	15.85	15.36	15.48	832104
7/19/2010	15.5	15.67	15.35	15.63	337765
7/20/2010	15.5	16.65	15.49	16.56	1115824
7/21/2010	16.7	16.83	16.25	16.37	978288
7/22/2010	16.51	17.26	16.43	17.26	1604851
7/23/2010	17	17.1	16.34	16.86	1127367
7/26/2010	16.7	17.1	16.7	16.98	519062
7/27/2010	16.99	17	16.01	16.26	910461
7/28/2010	16.13	16.24	16.01	16.09	351824
7/29/2010	16.28	16.37	15.92	16.09	631886

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
7/30/2010	15.99	16.18	15.83	15.83	697264
8/3/2010	15.83	17.01	15.83	16.46	2334678
8/4/2010	16.39	16.5	16.22	16.25	406715
8/5/2010	16.25	16.85	16.24	16.7	1043955
8/6/2010	16.36	17.01	16.36	16.85	1903186
8/9/2010	16.87	17.25	16.87	17.15	444526
8/10/2010	17	17.25	16.51	16.93	921918
8/11/2010	16.55	16.89	16.55	16.65	842328
8/12/2010	16.5	17.89	16.5	17.34	3581655
8/13/2010	17.4	17.75	17.34	17.6	1308629
8/16/2010	17.75	17.75	17.29	17.44	341203
8/17/2010	17.63	17.87	17.32	17.86	636612
8/18/2010	17.81	18.74	17.64	18.64	864710
8/19/2010	18.65	18.98	18.35	18.68	1160533
8/20/2010	18.79	18.99	18.27	18.52	481485
8/23/2010	18.67	18.67	18.45	18.54	252774
8/24/2010	18.07	18.34	17.58	17.58	743604
8/25/2010	17.42	17.57	17.13	17.45	800032
8/26/2010	17.7	18.03	17.61	17.99	692689
8/27/2010	18.14	18.34	17.76	18.24	348500
8/30/2010	18.25	18.25	17.65	17.99	689386
8/31/2010	17.84	18.39	17.84	18.37	819672
9/1/2010	18.37	19.12	18.37	19.03	940825
9/2/2010	18.9	19.17	18.84	19	944776
9/3/2010	19.19	19.38	18.92	19.02	675037
9/7/2010	19.08	19.25	18.61	18.77	1101870
9/8/2010	18.71	19.1	18.49	19	1075972
9/9/2010	19.01	19.25	18.13	18.31	804494
9/10/2010	18.35	18.45	18.13	18.2	765559
9/13/2010	18.31	18.9	18.31	18.55	976591
9/14/2010	18.55	18.84	18.45	18.48	637745
9/15/2010	18.31	18.46	17.76	17.76	991119
9/16/2010	17.96	17.99	17.38	17.47	1150632
9/17/2010	17.64	17.64	17.2	17.22	1570471
9/20/2010	17.22	17.79	17.2	17.78	1608649
9/21/2010	17.55	17.71	17.36	17.45	694893
9/22/2010	17.45	17.5	17.1	17.19	884651
9/23/2010	17.03	17.03	16.7	16.82	1527560
9/24/2010	16.95	17.19	16.79	17	1006015
9/27/2010	17.11	17.14	16.75	16.9	857683
9/28/2010	16.85	16.98	16.7	16.81	1879545
9/29/2010	16.96	17.75	16.78	17.61	2015382
9/30/2010	17.79	17.98	16.91	17.14	2002619
10/1/2010	17.15	17.38	17.05	17.05	1213835
10/4/2010	17.05	17.39	16.97	17.31	1708292

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
10/5/2010	17.56	18.28	17.36	18.01	1745442
10/6/2010	18.09	18.1	17.58	17.72	838072
10/7/2010	17.83	17.84	17.21	17.42	1156877
10/8/2010	17.5	18.16	17.31	18.04	3535919
10/12/2010	18.32	18.99	18.09	18.99	1751643
10/13/2010	19	19.65	19	19.24	5214108
10/14/2010	19.22	19.65	19.12	19.53	1377538
10/15/2010	19.5	19.6	19.34	19.46	1450862
10/18/2010	19.5	20.25	19.47	20.1	2168242
10/19/2010	19.71	20.05	19.56	19.76	1083754
10/20/2010	19.81	20	19.76	19.9	650301
10/21/2010	20.01	20.79	20	20.41	2395660
10/22/2010	20.44	21.51	20.2	21.17	1834277
10/25/2010	21.35	21.68	21.2	21.32	1610446
10/26/2010	21.32	21.52	20.39	20.51	1221112
10/27/2010	20.25	20.42	19.86	20.11	1385995
10/28/2010	20.11	20.24	19.86	19.93	327435
10/29/2010	19.85	20.4	19.85	20.16	774093
11/1/2010	20.17	20.95	20.17	20.6	833376
11/2/2010	20.7	20.83	20.26	20.42	917180
11/3/2010	20.25	20.95	20.25	20.82	850741
11/4/2010	21	21.7	20.84	21.03	1217465
11/5/2010	21.15	21.7	21.09	21.24	4929997
11/8/2010	21.4	22.5	21.18	22.39	1330997
11/9/2010	22.4	22.48	21.13	21.24	1153761
11/10/2010	22.11	22.2	21.78	21.83	2187169
11/11/2010	22.14	22.74	21.85	22.59	1578055
11/12/2010	22.48	22.55	21.55	21.55	3162838
11/15/2010	21.56	22	21.47	21.67	655167
11/16/2010	21.5	21.92	21.38	21.92	861508
11/17/2010	21.72	21.84	21.5	21.5	542669
11/18/2010	21.9	22.41	21.8	22.26	793573
11/19/2010	22.4	22.58	22.02	22.46	813119
11/22/2010	22.46	22.65	21.97	22.55	957618
11/23/2010	22.55	22.55	22.2	22.34	2830849
11/24/2010	22.37	22.51	22.04	22.51	1603985
11/25/2010	22.51	22.53	22.39	22.5	88444
11/26/2010	22.25	22.52	22.25	22.42	563472
11/29/2010	22.26	22.43	21.96	22.12	564024
11/30/2010	21.9	22.34	21.85	22.24	584488
12/1/2010	22.5	22.68	22.35	22.65	1131134
12/2/2010	22.41	23.77	22.41	23.69	1608992
12/3/2010	23.68	23.68	23.11	23.32	843317
12/6/2010	23.27	23.58	23.21	23.46	617713
12/7/2010	23.55	23.66	23.02	23.4	1554901

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
12/8/2010	23.15	23.57	23.15	23.39	1317273
12/9/2010	23.4	23.55	23.35	23.46	629463
12/10/2010	23.5	23.87	23.45	23.58	752111
12/13/2010	23.88	24.16	23.56	24.02	1016703
12/14/2010	24.19	24.69	24.07	24.43	717229
12/15/2010	24.28	24.3	23.17	23.88	1228474
12/16/2010	23.63	23.854	23.22	23.83	387550
12/17/2010	23.68	23.79	23.5	23.61	1544377
12/20/2010	23.45	23.54	23.23	23.32	916306
12/21/2010	23.58	23.99	23.43	23.65	934583
12/22/2010	23.7	23.75	23.24	23.42	619063
12/23/2010	23.42	23.68	23.26	23.29	315111
12/24/2010	23.13	23.39	23.1	23.1	30783
12/29/2010	23.27	23.46	23.22	23.29	680922
12/30/2010	23.4	23.45	23.22	23.26	284505
12/31/2010	23.37	23.55	23.2	23.29	475192
1/4/2011	23.76	23.83	23.44	23.5	2114564
1/5/2011	23.5	23.76	23.29	23.65	5757157
1/6/2011	23.8	23.8	23.28	23.32	794588
1/7/2011	23.3	23.42	22.85	23	516908
1/10/2011	23	23	22.18	22.44	1712300
1/11/2011	22.67	22.67	22.21	22.58	827516
1/12/2011	22.7	23.2	22.66	22.86	1007823
1/13/2011	22.7	23.11	22.7	22.89	1118064
1/14/2011	23	23	22.31	22.62	1049587
1/17/2011	22.63	22.73	22.37	22.64	169155
1/18/2011	22.69	22.7	22.22	22.37	781402
1/19/2011	22.5	22.5	21.81	22	645891
1/20/2011	21.95	21.95	21.02	21.5	2618838
1/21/2011	21.7	22.05	20.98	21.1	2108528
1/24/2011	21.21	21.75	21.16	21.48	1277338
1/25/2011	21.33	21.52	20.81	21.08	1122335
1/26/2011	21.16	21.7	21.15	21.49	1604143
1/27/2011	21.4	22.04	21.37	21.84	1755894
1/28/2011	21.97	22	21.71	21.8	1470841
1/31/2011	22	22	21.76	21.78	846725
2/1/2011	21.99	22.71	21.8	22.59	2946082
2/2/2011	22.65	22.985	22.455	22.85	1078406
2/3/2011	22.89	22.96	22.7	22.74	734511
2/4/2011	22.8	23.6	22.8	23.41	1232960
2/7/2011	23.5	24.24	23.48	24.2	4635710
2/8/2011	24.05	24.78	23.9	24.1	1817173
2/9/2011	24.1	24.1	23	23.03	1019026
2/10/2011	22.76	22.88	22.44	22.59	2061042
2/11/2011	22.72	23	22.62	22.85	2183282

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
2/14/2011	23.04	23.28	22.75	22.76	886619
2/15/2011	22.9	22.9	22.52	22.72	499167
2/16/2011	22.8	22.84	22.48	22.56	1026532
2/17/2011	22.68	22.7	21.99	22.57	1092615
2/18/2011	22.72	22.75	22.156	22.23	3388224
2/22/2011	22.04	22.24	21.1	21.26	1626107
2/23/2011	21.03	21.49	20.96	21.28	2218901
2/24/2011	21.29	21.39	21.07	21.15	687108
2/25/2011	21.45	21.65	21.27	21.51	1569946
2/28/2011	21.64	22.05	21.53	21.71	1342760
3/1/2011	22.5	22.65	22.22	22.31	3480154
3/2/2011	22.29	22.29	21.77	22	1221966
3/3/2011	22.09	22.84	21.98	22.29	1747398
3/4/2011	22.34	22.45	21.65	21.73	1323852
3/7/2011	21.81	21.9	21.228	21.4	665620
3/8/2011	21.7	21.7	21.16	21.25	949186
3/9/2011	21.32	21.434	20.97	21.05	1708804
3/10/2011	21.03	21.03	20.49	20.49	1135227
3/11/2011	20.25	20.92	20.2	20.78	904733
3/14/2011	21.4	21.71	21.08	21.32	1424634
3/15/2011	21.5	22.01	21.01	21.77	3120094
3/16/2011	22.09	22.42	21.6	21.67	1373282
3/17/2011	22.04	23.22	21.67	23.21	2128939
3/18/2011	23.65	23.71	22.89	23.28	1957016
3/21/2011	23.6	23.61	22.6	22.84	1271272
3/22/2011	22.92	22.92	22.19	22.75	1256962
3/23/2011	22.8	23.02	22.36	22.77	1963014
3/24/2011	22.85	23.27	22.72	22.95	970107
3/25/2011	22.97	23.49	22.86	23.25	1306573
3/28/2011	23.65	23.65	23.25	23.52	938969
3/29/2011	23.58	24.28	23.58	24.17	1170627
3/30/2011	24.3	25.12	24.3	25.01	2167564
3/31/2011	25.19	25.85	25.11	25.3	1848580
4/1/2011	25.7	25.7	24.81	24.99	1660075
4/4/2011	25.23	25.31	24.99	25	679952
4/5/2011	25	25.16	24.73	24.75	674926
4/6/2011	24.7	24.98	24.51	24.7	1645617
4/7/2011	24.75	24.75	23.9	23.97	1229229
4/8/2011	24.27	24.27	23.9	23.99	913828
4/11/2011	24.02	24.16	23.91	24.04	386293
4/12/2011	24.03	24.03	23.3	23.91	1055099
4/13/2011	23.9	24.22	23.65	24.04	4269345
4/14/2011	23.94	24.38	23.84	24.3	2868527
4/15/2011	24.22	24.28	23.605	23.84	1187366
4/18/2011	23.84	23.89	23.45	23.46	842058

TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
4/19/2011	23.48	24.26	23.4	24.21	775315
4/20/2011	24.59	24.77	24.2	24.5	1126449
4/21/2011	24.72	24.73	24.21	24.28	548917
4/25/2011	24.37	24.42	23.79	23.94	543307
4/26/2011	23.83	24.09	23.64	24	487218
4/27/2011	24.1	24.1	23.508	23.79	723786
4/28/2011	23.79	24.03	23.78	23.91	1164725
4/29/2011	23.97	23.98	23.4	23.51	849037
5/2/2011	23.63	23.69	23.16	23.21	1216136
5/3/2011	23.12	23.15	21.92	22.28	1676690
5/4/2011	22.38	22.42	21.14	21.58	1931972
5/5/2011	21.57	21.57	20.62	20.88	3227054
5/6/2011	21.03	21.67	20.9	21.11	2766738
5/9/2011	21.27	21.79	21.05	21.75	1434668
5/10/2011	21.8	21.8	21.37	21.49	1167073
5/11/2011	21.57	21.97	21.1	21.47	1559331
5/12/2011	21.47	21.47	20.35	20.5	2506664
5/13/2011	20.5	20.61	18.78	19.2	7210402
5/16/2011	19.51	20.45	19.4	20.27	5555981
5/17/2011	20.36	21	20.288	20.83	2156437
5/18/2011	21	21	20.64	20.8	1842481
5/19/2011	20.97	21.48	20.82	21.25	3241319
5/20/2011	21.29	21.37	20.08	20.33	4143814
5/24/2011	20.3	20.3	18.77	18.88	4918017
5/25/2011	19.18	19.61	18.58	18.64	5789878
5/26/2011	18.89	18.95	17.55	18.14	11105962
5/27/2011	18.15	18.44	17.43	18.39	6277024
5/30/2011	18.57	19.5	18.46	18.87	2214983
5/31/2011	19.2	19.85	18.8	19.27	4715786
6/1/2011	19.32	19.4	18.048	18.21	5408739
6/2/2011	18.21	18.21	13.57	14.46	14068831
6/3/2011	5	6.2	4.81	5.23	57680805
6/6/2011	6.2	8.53	5.8	6.16	42846422
6/7/2011	6.5	6.57	3.67	4.05	47205615
6/8/2011	4.43	5.49	3.87	4.92	51311442
6/9/2011	5.4	5.92	5.03	5.15	28578472
6/10/2011	5.18	5.51	4.35	4.5	31206159
6/13/2011	4.9	5.02	4.49	4.98	13444716
6/14/2011	5.1	5.21	3.35	3.36	27101352
6/15/2011	3.4	3.66	2.85	3.22	51744172
6/16/2011	3.34	3.45	3.24	3.34	12670196
6/17/2011	3.4	3.42	2.89	3.19	20901404
6/20/2011	2.76	3	2.32	2.73	28934954
6/21/2011	2.25	2.46	1.29	1.99	92367253
6/22/2011	2.09	3	2.07	3	36914490

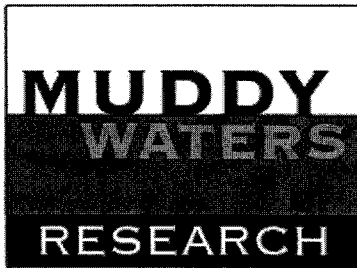
TRE CN Equity

Date	OPEN	PX_HIGH	PX_LOW	PX_LAST	PX_VOLUME
6/23/2011	3	3.22	2.74	2.91	21902912
6/24/2011	2.9	2.98	2.45	2.6	12463053
6/27/2011	2.6	2.86	2.22	2.3	10374234
6/28/2011	2.47	2.72	2.28	2.6	9898445
6/29/2011	2.67	2.86	2.55	2.67	9316486
6/30/2011	2.62	3.2	2.56	3.2	13676205
7/4/2011	3.27	4.99	3.27	4.15	45497222
7/5/2011	4.68	5.3	4.26	5.29	50980712
7/6/2011	4.8	5.27	4.16	4.75	52772417
7/7/2011	4.7	5.12	4.69	4.75	16034741
7/8/2011	4.75	4.93	4.7	4.71	6033473
7/11/2011	4.5	4.6	4.2	4.31	7382742
7/12/2011	4.2	4.46	4.03	4.28	9385301
7/13/2011	4.28	4.5	4.25	4.27	4886471
7/14/2011	4.25	4.35	4.06	4.13	4097032
7/15/2011	4.16	4.21	4.07	4.08	2488834
7/18/2011	4.04	4.04	3.42	3.53	7522647
7/19/2011	3.36	4.42	3.36	4.28	15757034
7/20/2011	4.31	4.99	4.31	4.59	17469502
7/21/2011	4.8	4.99	4.58	4.68	9225872
7/22/2011	4.83	5.2	4.75	5.19	15604903
7/25/2011	5.32	6.41	5.32	6.36	25034304
7/26/2011	6.5	7.75	6.47	7.12	31461356
7/27/2011	7.35	7.94	7.26	7.69	23162534
7/28/2011	7.99	8.29	7.1	7.43	19179825
7/29/2011	6.88	7.74	6.56	7.3	16564325
8/2/2011	7.45	7.77	6.79	6.83	14414674
8/3/2011	7.13	7.15	5.88	6.3	11827192
8/4/2011	6.06	6.35	5.71	6	12926548
8/5/2011	6.35	6.39	5.62	5.97	8559931
8/8/2011	5.08	5.6	5.05	5.42	7228671
8/9/2011	5.67	6.89	5.59	6.83	14218738
8/10/2011	6.74	6.88	6.38	6.38	8349252
8/11/2011	6.68	6.75	6.16	6.58	8547379
8/12/2011	6.76	6.83	6.56	6.65	4091153
8/15/2011	7.25	7.38	6.06	6.09	10993103
8/16/2011	5.66	5.96	5.19	5.34	11397309
8/17/2011	5.53	5.74	5.28	5.36	4448426
8/18/2011	5	5.29	4.91	5.12	5530265
8/19/2011	5	5.45	5	5.29	3009129
8/22/2011	5.6	5.64	5.01	5.01	3704670
8/23/2011	4.85	5	4.22	4.53	9019106
8/24/2011	4.5	5.15	4.15	5.1	9818976
8/25/2011	5.1	5.24	4.75	4.81	5340744

This is Exhibit "C" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



A Commissioner, etc.



Muddy Waters, LLC
 www.muddywatersresearch.com
 info@muddywatersresearch

Director of Research: Carson C. Block, Esq.

Disclaimer:

Use of Muddy Waters LLC's research is at your own risk. You should do your own research and due diligence before making any investment decision with respect to securities covered herein. You should assume that as of the publication date of any report, Muddy Waters, LLC (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our clients and/or investors has a short position in the stock (and/or options of the stock) covered herein, and therefore stands to realize significant gains in the event that the price of stock declines. Following publication of any report, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial recommendation. This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction. To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. However, such information is presented "as is," without warranty of any kind – whether express or implied. Muddy Waters, LLC makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. All expressions of opinion are subject to change without notice, and Muddy Waters, LLC does not undertake to update or supplement this report or any of the information contained herein.

Company:

Sino-Forest Corporation
 (TRE.TO, OTC: SNOFF)

Industry:

Forestry

Recommendation:

Strong Sell

Estimated Value:

< \$1.00

Report Date:

June 2, 2011

Price:

\$18.21

Market Cap:

4.2 billion

Float:

4 billion

Avg Volume:

1.4 million

- Like Madoff, TRE is one of the rare frauds that is committed by an established institution. In TRE's case, its early start as an RTO fraud, luck, and deft navigation enabled it to grow into an institution whose "quality management" consistently delivered on earnings growth.
- TRE, which was probably conceived as another short-lived Canadian-listed resources pump and dump, was aggressively committing fraud since its RTO in 1995.
- The foundation of TRE's fraud is its convoluted structure whereby it runs most of its revenues through "authorized intermediaries" ("AI"). AIs supposedly process TRE's tax payments, which ensures that TRE leaves its auditors far less of a paper trail.
- On the other side of its books, TRE massively exaggerates its assets. We present smoking gun evidence that TRE overstated its Yunnan timber investments by approximately \$900 million.
- TRE relies on Jakko Poyry to produce reports that give it legitimacy. TRE provides fraudulent data to Poyry, which produces reports that do nothing to ensure that TRE is legitimate.
- TRE's capital raising is a multi-billion dollar ponzi scheme, and accompanied by substantial theft.

Introduction

As Bernard Madoff reminds us, when an established institution commits fraud, the fraud can become stratospheric in size. Sino-Forest Corp. (“TRE”) is such an established institutional fraud, becoming massive due to its early start, luck, and deft navigation. At nearly seven billion dollars in enterprise value, it will now end.

TRE started humbly – as a fraudulent company going public on the Toronto Venture Exchange via reverse takeover (“RTO”). Sixteen years later, Muddy Waters would be exposing its US-listed imitators – companies such as RINO, DGW, ONP, and CCME. It seems impossible that a Chinese RTO coming public in 2010 could ever get to where TRE did. But for many years, TRE sat barely noticed on the Toronto exchange. It was committing fraud from the very beginning; but, there were not enough similar frauds to raise investors’ awareness.

Then in 2003, it changed its business model – moving to a level beyond standard capex schemes that most China frauds run. Its new model, purchasing trees, gave it limitless room for growing its fraudulent balance sheet and vacuuming up money from the capital markets. At the same time, China was becoming a major investment theme. TRE became more sophisticated – engaging Jakko Poyry to write valuation reports, all the while giving Poyry manipulated data and restricting its scope of work. Thus more and more investors are drawn into TRE’s fraud every year as it falsifies timber investments and manipulates Poyry further. At some point, TRE became an institution – a seasoned stock with “quality management” that consistently grew earnings over more than a decade.

Were Muddy Waters not to have come along, it is likely that this fraud could have continued for a few more years and billions of dollars more. Solving this fraud was not easy. In order to conduct our research, we utilized a team of 10 persons who dedicated most to all of their time over two months to analyzing TRE. The team included professionals who focus on China from the disciplines of accounting, law, finance, and manufacturing. Our team read over 10,000 pages of documents in Chinese pertaining to the company. We deployed professional investigators to five cities. We retained four law firms as outside counsel to assist with our analysis. We are confident that we have brought more expertise, time, and money to bear in analyzing TRE than has any investor or bank – by a substantial margin.

Executive Summary

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE’s default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE’s fraud is a convoluted structure whereby it claims to run most of its revenues through “authorized intermediaries” (“AI”). AIs are supposedly timber trader customers who purportedly pay much of TRE’s value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees. The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

TRE avoids disclosing the identities of all but one of its AIs “for competitive reasons.” The one AI we know it has disclosed (at a credit analyst event in April 2011) is actually a connected party – to both TRE and one of its agents. Despite TRE’s opacity on the revenue side, we have overwhelming evidence that the \$231.1 million in Yunnan province timber TRE claimed to sell is largely fabricated. Such amount exceeds TRE’s real timber holdings in Yunnan province. It exceeds the applicable harvesting quotas by six times. Transporting the harvested logs would have required over 50,000 trucks driving on two-lane roads winding through the mountains from this remote region, which is far beyond belief (and likely road capacity).

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006. We have smoking gun evidence from Yunnan province that it overstated its purchases there by over \$800 million. Of the five agents we have been able to identify (TRE does not provide Chinese names), Yunnan appears to have the only legitimate agent. The other agents have histories and connections to TRE that make it obvious they did not purchase billions of dollars in timber for TRE. Further, the other agents appear to be laundering money for TRE – moving large amounts of money to an undisclosed subsidiary of TRE and a trading company that TRE does business with. We also see clear evidence that TRE has falsified its books – Chinese government records make clear that TRE would have had a capital hole of \$377 million to \$922 million if it were making the investments it claims.

TRE then feeds the fraudulent data to Poyry, while allowing Poyry access to only 0.3% of its purported timber holdings. TRE touts the valuation reports as evidence of its credibility. One fresh example occurred at TRE’s annual general meeting on May 30, 2011. At the meeting, CFO David Horsley emphasized to the shareholders in attendance that Poyry teams spend “six personal weeks” in the field for the valuations. On a June 1, 2011 telephone call with analysts to discuss the Poyry report, Poyry clarified that four men spent six days in the field, which the Company calculates is approximately six man-weeks.¹ Fortunately, it appears that in 2011 Poyry is becoming somewhat cautious about TRE using its name to bilk investors out of billions of dollars, and it has accordingly restricted how TRE may use the report.

TRE’s claims to be “transparent” are interesting. Its offshore structure, which utilizes at least 20 British Virgin Island entities, is an unjustifiable black hole.

Auditors are far less effective in detecting fraud than most investors assume they are. The problem is that fraudsters are willing to forge documents. We show a suspicious letter from HSBC that was written on behalf of one of TRE’s main subsidiaries, Sino-Wood Partners. We submitted this document to HSBC’s department of fraud risk.

Another issue with auditors detecting fraud is that when the auditors are based in Canada, and the fraud is in China, the auditors are far less versed in the games fraudsters can play in China. As CCME and LFT show, even China offices of “Big Four” auditors have a number of issues detecting fraud. For most of its time as a public company, TRE’s auditors have been Ernst & Young out of Canada. In TRE’s case, the auditor problem morphs into another significant issue – that of TRE’s poor corporate governance. TRE’s board of directors appears to be the retirement plan for former Ernst & Young partners, and its audit committee members all fail PRC political,

¹ Muddy Waters is proud to say that by this methodology, we spent two man-years researching TRE and preparing this report.

industry, and cultural knowledge tests.² A favorite trick of Chinese RTO frauds is to gain credibility by putting Westerners without Chinese skills or background into management or onto the board. TRE probably pioneered the practice.

No fraud is complete without the payoff. Its constant capital raising is a multi-billion dollar ponzi scheme. We see some evidence of how TRE is stealing the hundreds of millions of dollars that have entered the PRC. Its financial tunnels include an undisclosed subsidiary that seems to act as a magnet for payments from many of TRE's disclosed PRC subsidiaries and the agents that purportedly purchase timber for TRE.

Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

Sino Forest Equity and Debt Estimated Values

Sino-Forest has raised a total \$3.05 billion from the capital markets. The capital structure consists of \$1.892 Billion of bonds outstanding³, Senior Secured Bank Loans of \$207 million (\$154.0 million from the Dec 31, 2010 financials and a new CNY 350 mil term facility. This makes debt outstanding \$2.100 Billion.

In addition, it has raised \$989 million of equity in shares sales going back to May 2004. Due to the SAIC filings, we know that a maximum of \$1.2 Billion of cash has been injected onshore.

The Company also has a 63% stake in its listed subsidiary Greenheart Group, however, because we have concerns about this company, we do not factor it into our valuation.

The equity/credit analysis valuation analysis is very difficult as a result of the inability to rely on the audited financials and our belief that the company has far fewer assets than it reports. In order to value the equity and the credit, one has to assume one of two scenarios, both of which assume an injection amount of \$1.2 Billion into China:

² TRE Management Information Circular, May 11, 2011, pp. 32-33

³

Issuer	Cpn	Maturity	Amt Out(M)	Curr	Mty Type
Sino-Forest Corp	9.125	08/17/11	87,670	USD	BULLET
Sino-Forest Corp	5	08/01/13	345,000	USD	CONVERTIBLE
Sino-Forest Corp	10.25	07/28/14	399,517	USD	BULLET
Sino-Forest Corp	4.25	12/15/16	460,000	USD	CONVERTIBLE
Sino-Forest Corp	6.25	10/21/17	600,000	USD	CALLABLE

Scenario 1: Assets in China are accessible to creditors and shareholders

If the assets in China were accessible, the first thing that creditors would have to do would be sell the small forestry assets that the company has and attempt to recover any cash balances. Given the propensity for theft, we will be liberal and assume that the recovery from asset sales and cash seizures is 50% of the amount injected – roughly \$600 million. \$50 million would be used to pay back the onshore RMB denominated debt. The rest would then need to be repatriated via a capital reduction process with SAFE, the Chinese capital account regulator. At an absolute minimum, the cost of offshoring this money would be around 15%, giving us a total recovery bull case of \$467 million.

The offshore cash is not simply calculated by subtracted cash raised from cash moved into China. Management has been liberal with cash compensation. As well, they have spent \$54 million on their Greenheart stake, \$30 million in a consent payment for a bond exchange, and \$7 million paying off Ms. Chen on the Homix purchase. If the convoluted BVI structure has yet to be used for theft, then the offshore cash balance could be as high as \$1.5 Billion (Non-injected cash minus management compensation minus offshore acquisitions).

This gives us an asset base of \$1.967 Billion in the best case, which we believe to be unlikely. Versus the current outstanding offshore debt of \$1.893 Billion, the “real” best case net asset value is around \$92 million. Divided by the current number of shares outstanding – 245 million - that leaves a share value of approximately C\$0.38 at current exchange rates.

Scenario 2: Onshore Recovery of Zero.

Due to the time involved to actually change the legal representatives and liquidate collateral onshore, all the while chasing the cash balances and coordinating with authorities, historical precedent should show that there is little that can be done with onshore assets.

Using the above bull case of offshore assets, we estimate recovery for bondholders would be approximately 80 cents on the dollar, with a value of zero for the stock. Assuming that distressed investors target a 15% IRR (again, this would be extremely generous for a distressed Chinese credit), the absolute maximum an investor should be willing to pay for the credit is around 69 cents on the dollar. The recovery could be higher if less money was put into China.

Our belief is that the true recovery would be far lower, but without the aid of law enforcement, we will never really know how much money is there or where it went.

I. TRE Was Always a Fraud.⁴

TRE was engaged in aggressive fraud from the time it went public. Between 1994 and 1996, it generated between 65% to 77% of its reported revenues from an equity joint venture⁵ with the Leizhou Forestry Bureau. All of these numbers were fabricated. In reality, TRE breached its commitment to contribute equity capital to the EJV. TRE's conduct so incensed the Leizhou

⁴ Appendix A5 – Chinese and English translations available.

⁵ China has two classifications of Sino-Foreign joint ventures: equity joint ventures (“EJV”) and cooperating joint ventures (“CJV”). The main difference is that in an EJV, profits and assets (upon winding up) are distributed in proportion to the parties’ equity holdings. In a CJV, the parties may contract to divide the economics disproportionately to their equity interests.

Forestry Bureau that it filed with the Zhanjiang City Foreign and Economic Relations and Trade Commission (“COFTEC”) a letter containing numerous grievances. We show this letter and a translation in Appendix A5. This letter and the rest of the EJV’s SAIC file make clear that the EJV never achieved the any operation remotely close to that envisioned by the partners or described by TRE in its annual reports. Moreover, the Forestry Bureau accuses TRE of misappropriating cash through improper transactions.

In its 1997 annual report, TRE claims that its Heyuan and Guangxi CJV partners took over the (fictitious) wood chip business from the Leizhou EJV – even growing it by 193% that year. Considering the base year (1996) revenue was zero, we believe investors should assume that 1997 results from the CJVs were shy of \$16.1 million TRE reported.⁶

TRE’s penultimate fraudulent act in Leizhou was to claim that the Leizhou Forestry Bureau reimbursed TRE \$12.43 million between 1999 and 2003 through a series of payments consisting of logs. This claim that the Forestry Bureau owed TRE in excess of \$10 million dollars was a gross exaggeration of the facts and contradicts the EJV’s SAIC file, improperly adding \$12.43 to TRE’s shareholders’ equity. This type of phantom transaction would become the blueprint for TRE’s massive fraud.

There was another critical outgrowth from the Leizhou EJV. Upon termination, TRE converted the company to a wholly foreign-owned enterprise (“WFOE”). The WFOE’s business scope⁷ included “producing and selling wood products.” TRE wound this company down in December 2003. This is the same year it began telling investors that it used AIs to handle its sales because it was not licensed to sell woodchips and wood based products domestically.⁸ In other words, TRE wound down a business that was licensed to sell wood chips; yet, at the same time was stating that it was forced to use AIs because none of its companies were licensed to sell woodchips in the domestic market. At that time, the Leizhou WFOE could have utilized this business to take over and carry out the proprietary sales of the wood chip and processed wood business. Essentially because TRE learned that it could successfully lie about operating a factory with a party known to shareholders, it went two steps further – lying about operating a trading business with a party unknown to shareholders.

Leizhou EJV – The Ghost of Ventures Past

The Leizhou EJV, the Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd., came into being on January 29th, 1994. TRE subscribed to 53% of the equity, which was to total \$10 million, and the total investment was established at \$25 million. TRE’s obligation was straightforward; it would contribute 53% of the investment in cash (\$5.3 million) in phases. It was to inject 15% of the registered capital within three months of incorporation, and its portion of the balance of the registered capital within two years. It paid in one million dollars, which left a balance of \$4.3 million. The Forestry Bureau was to contribute forest assets of 3,533 ha (note that this greatly contradicts TRE’s Canadian filings, which state 20,000 ha), and other assets.⁹ The articles of association show that the newly formed entity was created for the specific purposes of:

⁶ Annual Reports 1997 p. 21, 1998 p. 25

⁷ Leizhou WFOE business certificate April 12, 2000 See Appendix A10

⁸ 2003 Annual Information, p. 22

⁹ Leizhou EJV, Articles of Association, 1993 See Appendix A2

“Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m³ of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m³.”¹⁰

The application included a detailed feasibility study for the MDF board production factory including financial analysis, market studies, and production plans totaling over sixty pages. Leizhou Forestry Bureau’s expectation was that the factory would generate profit, provide value-added manufacturing jobs, and introduce new technology and management knowhow. The articles also reveal a plan for the Leizhou Forest Bureau to make additional land available for harvesting and replanting that would total 8,000 ha (including the original 3,533 ha). This concept formed the basis of TRE’s “phasing-in” program and was also utilized to inflate TRE’s forest rights claims. However, the EJV never achieved “normal operations”, and neither the plans for the manufacturing facility, nor any additional land utilization or forest acquisitions were executed. The signature of TRE’s president, K.K. Poon on the amended articles evidences this fact.¹¹

The EJV’s 1995 PRC Capital Verification Report (contained in the SAIC file) showed that the JV lost \$1.1 million (RMB 8,709,107).¹² The audit report also shows inventory of only \$1,100 (RMB 9,000), which is hardly the level required to support an operation making weekly shipments of woodchips of approximately \$400,000, as claimed by TRE.¹³ By mid-1995, TRE had still not injected the balance of investment. The Forestry Bureau solicited the local COFTEC¹⁴ to send a formal notification reminding TRE of its obligation. By the time the contribution deadline arrived in January 1996, the TRE management team was incommunicado.¹⁵ After the Jan 29, 1996 deadline lapsed, Allen Chan and Chan Shixing failed to respond to formal letters. They also skipped a Board meeting called to resolve the issues.¹⁶

¹⁰ Id.

¹¹ Leizhou WFOE Amended Articles of Association, Appendix A3.

¹² 1995 Annual Audit Report

¹³ In 1995, p. 13 of TRE’s annual report claimed that TRE shipped out 204.2 BDMT of wood chips at an average price of \$103/BDMT. This equals \$21,032,600 USD, or approximately \$420,652 per week based on a fifty week year.

¹⁴ Zhanjiang City Foreign and Economic Relations and Trade Commission.

¹⁵ Leizhou Forestry Bureau, Letter Requesting Termination of the EJV See Appendix A5.

¹⁶ Leizhou Forestry Bureau, Letter Requesting Termination of the EJV See Appendix A5.

However, in Canadian filings, the Leizhou EJV was white hot. TRE disclosed the following information regarding the EJV.

Calculated Leizhou EJV Annual Sales According to Avg. Price and Qty in BDMT Reported by TRE			
Year	BDMT (Thousands)	Average price (USD/m ³)	Amount (Thousands USD)
1994	156.3	85	\$ 13,286
1995	204.2	103	\$ 21,033
1996	212.5	102	\$ 21,675
1997	45	98	\$ 4,410
Total	618		\$ 60,403

Source: 1994 ~ 1997 Annual Reports

TRE took a bit of a victory lap in its 1996 Annual Report, when it congratulated itself on the Leizhou EJV completing three years of profitable operations.¹⁷ Moreover, the Company even claimed that the Leizhou EJV carried out \$412,000 of research and development that year.¹⁸ According to TRE, it was floating its partner (rather than the other way around) for \$15.0 million:

“The \$14,992,000 due from the LFB [Leizhou Forestry Bureau] represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB.”¹⁹

In 1998, the Leizhou Forestry Bureau finally lost its patience and submitted a letter to COFTEC containing numerous grievances, and requesting that the EJV be terminated.²⁰ In addition to grievances related to the failure to inject capital and develop the MDF board factory as planned, the Forestry Bureau accused TRE of improperly removing money and making payments to a third party with which the EJV had not done business:

“After paying one million dollars, the foreign party not only failed to fully fund the company, but also approved in its own name the gradual withdrawal of funds in the amount of RMB 4,141,045.02 RMB [approximately \$500,000], from the paid in capital provided by the company for the Joint Venture, among which \$270,000 USD was paid out to the Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has had no business relationship with the joint venture at all. This amount of money equals 47.6% of the money [TRE's] paid in capital. Although our side has almost entirely paid in the capital to which we subscribed (all but 0.9% of the subscription total), because of the limited contribution from the foreign party, and its withdrawal of a huge amount of money from among those funds it contributed, it is impossible to put into practice the project that the joint venture aimed to construct or set up and the intended production and business operation activities. This is because the funding has been insufficient and the

¹⁷ 1996 Annual Report, p.22

¹⁸ 1996 Annual Information, p. 8

¹⁹ 1996 Annual Report, p. 20

²⁰ Leizhou Forestry Bureau, Letter Requesting Termination of the EJV, Appendix A5.

foreign party did not contribute the majority of the equity to which it subscribed. The joint venture therefore is merely a shell, existing in name only.”²¹

In addition to phenomenally inflating the sales of woodchips from the EJV, TRE planted the seeds for a new mechanism that would propel its near infinite NAV growth, and enable it to create billion dollar forest accounts out of thin air. In the 1996 Annual Information Form, and that of previous years, TRE claims that the Leizhou JV had already “phased in” 20,000 ha of plantation lands from the Forestry Bureau.²²

However, the Articles of Association clearly stipulate that if the project requires capitalization beyond \$25 million USD total investment, then the foreign partner would contribute additional cash, and the Chinese partner would make additional in-kind contributions in the form of land use rights and forest assets.²³ Since the project was never fully capitalized, there was no need for the Chinese partner to make additional in-kind contributions, and therefore no new forest assets would have been added to the venture. Additionally, the 8,000 ha, were discussed in the Articles only in the section pertaining to the long range planning for the company. Those sections of the Articles defining the parties’ respective capital contributions specifically state 3,533 ha (53,000 mu) as the Leizhou Forest Bureau’s contribution.²⁴ In short, no additional contribution under a “phase –in” plan took place.

In addition to deducing that a scorned government EJV partner would not unilaterally contribute additional forest assets to support a manufacturing facility that had never been constructed, there is documentary proof that since inception, no significant increases in assets occurred. The EJV’s PRC audit reports from 1995 and 1997 show no change in the intangible assets, under which heading forest assets are classified.²⁵ Had an additional 16,500 Ha been phased into the EJV, intangible assets would have increased by approximately RMB 86 million.²⁶

In 1998, the two parties agreed to wind up the EJV. In the separation agreement, the parties agreed that the Forestry Bureau would receive all of the assets the Forestry Bureau originally contributed, and TRE would keep the entity and look for a new partner.²⁷

Interestingly, in its 1997 annual report TRE described the agreement to terminate the EJV as entitling it to \$12.4 million worth of assets from the LFB. TRE stated that it would in lieu receive payment over three years in the form of 730,440 m3 of standing timber the Forestry Bureau owned.²⁸

Four years later, the 2003 Annual Report includes a claim that the Company completed its recovery of open receivables from the Leizhou Forest Bureau with a final collection in the amount of \$10.2 million in the form of standing timber.²⁹ It is hard enough to collect on a debt

²¹ Id.

²² 1996 Annual Information, p. 5

²³ Leizhou EJV, Articles of Incorporation, 1993, p. 3 Appendix A2.

²⁴ Leizhou EJV, Articles of Incorporation, 1993, p. 2 Appendix A2.

²⁵ The 1997 audit report breaks out the forest rights as being valued at RMB 18,454,766. Appendix A9.

²⁶ The 1997 audit report itemizes the forest assets at a value of RMB 18,454,766, which equates to a total of 5,223 Rmb/Ha. A net increase of 16,467 Ha therefore should result in a net increase of 86,016,029 rmb. Appendix A9.

²⁷ Board Resolution, Leizhou Resources Development Company, June 3, 1998 See Appendix A6.

²⁸ 1997 Annual Report

²⁹ 2003 Annual Report, p. 34, 40

when the debtor really owes you money. It is substantially harder when you are really the debtor, and the counterparty is a government agency.

Leizhou WFOE A/R Collections from Leizhou FB	
Year	Amount ('000 USD)
1999	\$ 1,125.00
2000	\$ 1,063.00
2001	\$ -
2002	\$ -
2003	\$ 10,242.00

Source: TRE Annual Reports

After the exit of the Leizhou Forest Bureau, the Company did not locate a new joint venture partner. In May of 1999, TRE converted the EJV into a Wholly Foreign-Owned Enterprise (“WFOE”). In April of 2000, the WFOE’s new scope of business, which included producing and selling wood products, was formally approved.³⁰

However, after receiving approval to reduce the size WFOE’s remaining required capital contribution to only \$1.4 million,³¹ TRE still failed to do so for another three years.³² In October of 2003, TRE finally wound down the Leizhou WFOE (without having contributed the additional capital). The application for deregistration was made on Oct 28, 2003 and approved by the Guangdong Zhanjiang COFTEC on November 4, 2003.³³ The key point to note is that in the 2003 Annual Report, TRE began disclosing that it needed to conduct business through authorized intermediaries due to lack of proper licensing, while failing to disclose that in the fourth quarter of the year, it was winding down an existing WFOE that had the business scope to do the business.³⁴

How to Succeed in Business Without Really Trying (by Finding AIs)

TRE’s initial AI model was that it purported to buy logs, turn them into woodchips, and then sell them to customers. TRE disclosed in 2003 that it had been engaging in this model via its Heyuan and Guangxi CJVs. (TRE makes shameless use of the corporate memory hole.)

This model appears to be a tortured attempt to create an accounting event for TRE even though it risked no capital and moved no physical goods. (TRE would later make this look less tortured by creating a third party to the transactions, the agent, which probably made its auditors feel better.)

³⁰ Board Resolution, Dec 1, 1999; Wholly Foreign Owner Enterprise Change of Registration Approval, April 12, 2000. Appendix A10.

³¹ Leizhou WFOE Application for Deregistration, Oct 28, 2003 Appendix A8; Zhanjiang COFTEC Approval for Reduction in Registered Capital, Dec 28, 1999. See Appendix A7

³² 2000 Annual Information, p. 26

³³ Application for Deregistration of a Foreign Invested Enterprise, Guangdong State Administration for Industry and Commerce, Oct. 28, 2003 See Appendix A8.

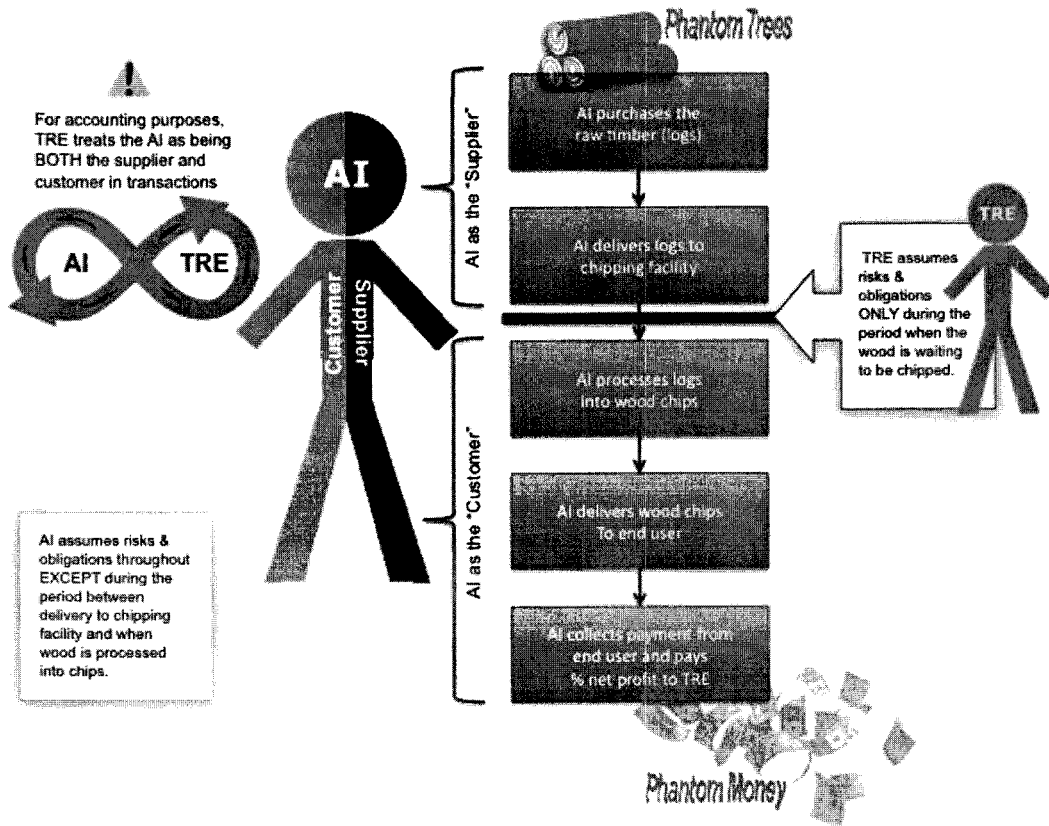
³⁴ 2003 Annual Information, p. 22

According to the description in its 2006 annual information of how these transactions worked, TRE (through the magic of AIs) booked revenue and profit, but

- did not commit capital to purchase the logs,
- did not enter into contracts to purchase the logs from suppliers,
- did not take title to the logs,
- did not at any time store (let alone view) the logs,
- did not commit capital to process the logs into wood chips,
- did not contract to process the logs into wood chips,
- did not market the wood chips,
- did not enter into contracts to sell the wood chips, and
- did not receive cash from the parties purchasing the wood chips.

Instead it “agreed to reimburse the costs of the AI, including the cost of the purchase of raw timber, and to pay both a processing fee and management fee& ” However, “& all of [the aforementioned fees] are deducted from the sales proceeds of the wood chips.” In other words, TRE would not pay any money because the AI would be “reimbursed” when it sold the chips.

In order to make these transactions into accounting quasi-reality, TRE assumed “all risks and obligations relating to the raw timber once it arrives at the premises of the AI until it is processed into wood chips, except for any loss arising as a result of the AI’s default.” As the same filing specifies, the AI assumed the risks and obligations of the timber at all other times – from the time it is purchased until title passed to the customer. The below diagram illustrates the purported transactions:



Essentially, TRE’s assumed risk was that a meteor would destroy the wood while at the AI’s facility (assuming that the contracts lacked force majeure clauses). For this invaluable service, the AI paid TRE a fee on a “net basis after withholding of applicable taxes by the AI.” In other words, there was no tax documentation that can be used to confirm whether TRE actually received any money in this way.

Believing that TRE actually generated substantial revenue this way strikes us as akin to believing in the power of diving rods to find precious metals. However, TRE was able to apply the same principles to a model that allowed it to raise billions of dollars more. The model is dealing in standing timber.

II. “AI” Really Means “Artificial Intermediary”

The structure of using anonymous parties that purportedly purchase from TRE without requiring TRE to generate VAT invoices allows TRE to invent sales figures without fear of being exposed by tax bureau records. Given that TRE has mostly been audited by accountants based in Canada, using this structure to commit fraud takes more audacity than skill. If TRE really is using an AI structure, shareholders should demand management be replaced immediately because TRE is running substantial and unnecessary legal risks. We are convinced that this model does not really exist though, so no board meeting to discuss the illegalities of the AI structure is yet necessary. As far as we are aware, TRE has disclosed the identity of only one AI, which happened at a recent credit analyst event in China. However, this purported AI’s general manager, Lei Guangyu, is part of a web of shadow players spanning the AI, an agent, TRE, and Greenheart. He and the AI are closely related to TRE.

TRE May be a Great Supplier, but How Much Prison Time Would the AIs be Willing to do for TRE?

In a legitimate public company, management would be summarily dismissed for using TRE's AI structure, if it had not already been arrested. This model would violate fiduciary duties, and because it is so blatantly illegal in the PRC, would probably be beyond the scope of D&O coverage. Furthermore, it would be difficult for TRE to find a counterparty willing to work with it in this model in size. The size of the transactions is so large that the AI management would possibly be committing offenses that could land them lifetime prison sentences.

On the other hand, the cure for the problems is simple. TRE, which already has over 60 wholly-owned companies in the PRC, could buy and sell timber through new or existing WFOEs (wholly foreign-owned enterprises). It could pay its own VAT and enterprise income tax ("EIT"). This is what practically every other foreign investor with at least \$100,000 in its pocket does.

It is illegal for foreign companies to engage in domestic (i.e., non-import / export) business in the PRC without having incorporated a local subsidiary to carry out the business. The PRC deems profits generated by foreign companies doing domestic business without a domestic subsidiary to be illegal. The prior two years of illegal profits are subject to confiscation. Therefore, if TRE were really using this structure for its BVI subsidiaries, they would be risking confiscation of the prior two years of their profits.

As foreign enterprises conducting domestic business in China, TRE's BVI entities would still be subject to the PRC corporate income tax. TRE's failure to pay corporate income tax for its profits generated in China would subject TRE to penalties more severe than those disclosed. The penalties (on top of the unpaid tax) would be 50% to 500% of the unpaid tax. There is no statute of limitations that would prevent the tax bureau from recovering all of TRE's unpaid taxes with per day surcharges and penalties.

Because of TRE's disclosed contingent tax liability of \$156.9 million, it is clear that TRE's entities conducting a sizable portion of its business (whether foreign or domestic) are not paying taxes themselves under their own tax registration. Nor are the AI acting in a legal manner merely as tax payment agents that pay tax to the tax bureau in TRE's name. While such a situation would be critical for any company with sizable China operations, because TRE is free cash flow negative, such penalty would endanger TRE's solvency. Regardless, this is not what TRE is really doing. It is lying about selling such large volumes of timber to the AIs.

TRE would have numerous problems with the AIs trying to pay TRE's value added tax ("VAT"). Entering names other than the seller of the good on a VAT invoice is a tax crime. The penalty for VAT invoice-related crimes on large VAT amounts can be a lifetime prison sentence for managers of companies engaged in this behavior. We assume that many of these VAT payments would be in excess of the threshold to trigger such penalty; therefore, the managements of the AI would be risking the sentences in these transactions. It is difficult to understand how TRE generates a 55% gross margin from the AI on standing timber sales all the while risking their lives. TRE does not appear to add that much value.

TRE and the AIs' chances of getting away with the scheme would be low. The PRC banking system has controls in place for anti-money laundering purposes. The tax bureau is part of this platform. We consulted an attorney who is an expert in tax, foreign exchange, and banking matters. The attorney advised us that it is highly unlikely that TRE could have such large

amounts of RMB sloshing around the banking system without corresponding VAT documentation. Note also as discussed *infra* in The Capital Hole, TRE's BVI companies would be unable to open up RMB bank accounts.

Because the AIs are not importing this timber, they would not have customs invoices, and would not be able to convert RMB into foreign currency and pay TRE offshore. While it is possible that the AIs could pay TRE offshore from the AIs' existing offshore accounts, with over one billion dollars in payments being made annually, the AIs would likely be left with unmanageable foreign currency / RMB imbalances. Therefore, the banking system and foreign exchange controls would likely have long ago ended TRE's AI business – in an unpleasant way.

Everybody's All-Intermediary: Lei Guangyu

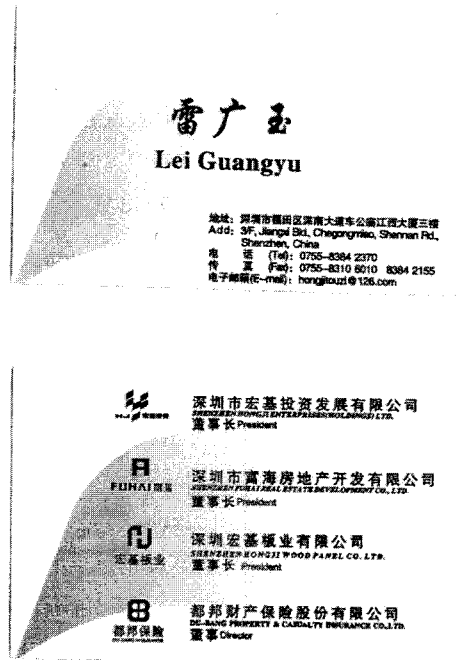
To our knowledge, TRE has only unveiled one AI to investors. In April 2011, TRE introduced credit analysts to Lei Guangyu, who is the president of Shenzhen Hongji Enterprises (Holdings) Ltd. ("Hongji"). Both Lei and Hongji are related to TRE. At the time that TRE sold its 12.73% stake in Greenheart Resources Holdings Ltd. to Omnicorp, Lei Guangyu was the signatory for two BVI entities, Fortune Universe Ltd. and Spirit Land Ltd., which held a combined 7.41% of Greenheart. The 2007 audit report from one of TRE's subsidiaries, Heyuan Jiahe Forestry Development Co. Ltd. ("Jiahe"), lists an account payable to Hongji for approximately \$400,000 (RMB 2.7 million) as a related party transaction. According to the audit report, Hongji's relationship to Jiahe is that they are both subsidiaries of the same parent. See Appendix BB1.

Hongji is engaged in irregular transactions with TRE. One of TRE's key PRC subsidiaries, Sino-Forest (China) Investments Co. Ltd. had an account payable of \$4.2 million (RMB 35 million) to Hongji at the end of 2005. This is a large amount of money in the context of TRE's onshore transactions that we have been able to see. Further, it shows a flow of funds opposite of what should occur (i.e., AI to TRE).

We sent a field agent to Hongji's headquarters in Shenzhen. It has a subsidiary called Gaoyao Hongji Panel Co. Ltd.. The legal representative of this company Wang You Wang is the signatory on a lease contract for the factory belonging to Guangdong Jiayao Wood Development Co., Ltd., one of TRE's key subsidiaries. Gaoyao Hongji also appears to be the "arms length" purchaser of \$30 million in machinery from TRE's Guangdong Jiayao on March 31, 2009. However, the owner of the company that leased the factory from TRE is a TRE and agent executive, Lam Hon Chiu. (We discuss more about Mr. Lam in TRE's Dodgy Timber Agents.) We are not sure what to make of this transaction, but it does not appear to be arms length to us.

As an aside, it appears that Hongji does not buy domestic timber from TRE. According to the person with whom we met at headquarters, Hongji primarily deals in timber imported from Russia and South America.

Below is Lei Guangyu's business card.



III. Gengma, Yunnan: Illegal Logging or Fraud? Timber Sales are Beyond PRC Quota

According to TRE's 2010 Management's Discussion and Analysis, the Company sold \$507.9 million of Standing Timber, of which 45.5% (\$231.1 million) of the sales were derived from broadleaf trees in Yunnan at an average price of 102 RMB/m³. This equates to 2,265,000 m³ of broad leaf timber in the form of "large logs".³⁵ In TRE's 2010 Annual Information Form, its claimed yield for broad leaf is between 105 to 210 cubic meters per hectare, which means that approximately between 10,800 ha (hectares) and 21,600 ha would be required for this sale. However, the 2009 Poyry report noted a regulation prohibiting clear cutting of these forests and revised the yield downwards by 50%.³⁶

Poyry has this year become aware that, under current regulations, this crop type cannot be clear-felled, but must be selectively logged, with only up to 50% of the volume allowed to be removed. Poyry has consequently adjusted the yield table for the broadleaf crop type, from 181 m³/ha to 90 m³/ha to reflect this constraint.³⁷

At a maximum of 90 cubic meters per hectare, at least 25,000 ha would be required for this sale. That is the equivalent of approximately 96 square miles, or one and one half the total area of

³⁵ In the June 2, 2011 Poyry/Sino-Forest joint conference call, the Poyry consultant further specified that the high price for the Yunnan broad leaf of \$102/m³ was for "large logs"

³⁶ Sino-Forest Corporation, Valuation of China Forest Crop Assets As at 31 December 2009, Final Report, pp. 15 and A5-3. <http://www.sinoforest.com/filings.asp>

³⁷ Sino-Forest Corporation, Valuation of China Forest Crop Assets As at 31 December 2009, Final Report, pp. 15 and A5-3. <http://www.sinoforest.com/filings.asp>

Washington D.C. The volume required under either yield calculation is enormous and in excess of both TRE's contracted holdings as well as the Lincang region's local quota.

First, as described in detail in section IV of this report, TRE's contracted holdings in Yunnan are in Lincang City and amount to only 20,000 ha (300,000 mu, 15 mu = 1 ha), not the 200,000 ha claimed by the Company.³⁸ The 25,000 ha equates to 375,000 mu of forest land.³⁹ This 375,000 mu needed for the transaction is 75,000 mu in excess of its total contracted holdings and also ignores any previous depletions made in the years 2009 or 2008.

Second, the forest area required for harvest exceeds the total area available in the Lincang region under the annual quota of both 2010 and 2011 combined. In China, forest harvests have been strictly controlled through a quota system since 2001, with quotas established in the Five-Year Plans. The Provincial Forestry Bureaus proposes the quotas to the National Forestry Bureau and the State Council, which have approval responsibility. The Provincial Forestry Bureau then allocates quotas to the local forestry bureaus. Using the maximum yield estimated by Poyry of 90m³/ha, the minimum harvest area of 25,000 ha required to complete this sale by far exceeds the permitted logging quota for the Lincang City (which includes Gengma county) where the Company's operations and land holdings are located.⁴⁰ Our local field work in Lincang and Gengma, our calls to the Lincang and Gengma Forestry Bureaus, and open source research all confirm that this alleged sale of 2,265,000 m³ of Yunnan broadleaf exceed the full available quota for natural forest (the classification for hardwood broadleaf) of not just the year 2010, or the two years of 2010 and 2011 combined, but all of 2010, 2011, 2012, 2013, 2014, and all of 2015! Our field agents contact the Lincang Forestry Bureau for re-confirmation of this fact, and the section chief there confirmed that the full years quota for each of 2009, 2010, and 2011 was 376,000 m³.⁴¹

Yunnan Lincang City Region Annual Quota for Natural Forest ('10 & '11)	376,000 m ³
Years of Quota Req'd to Meet 2010 Harvest From 2,265,664 (m ³)	6.02 years

How Much Forest Did Sino-Forest Forest if Sino-Forest Could Forest Forest?

Even if TRE's was able to simultaneously arrange unite a network of provincial traders in five surrounding regions, including from major competitors with both forests and local mills and plants, such as Yunnan Jinggu, Taixing Forestry, and Shanshui Forestry, around the common goal of filling TRE's order, there remain enormous bureaucratic and logistical obstacles. All of which could only be achieved through an miracle of political, labor, and logistics worthy of the last Great Chairman, Chairman Mao.

Assuming for a second, that all of the requisite plantation rights, logging permits, and transportation permits were properly secured, the actual task of logging still would need to be completed. The 2009 Poyry report explained that the typical harvesting practice in China as labor-intensive. This is especially so because of the required selective logging required for Yunnan broad leaf. Poyry states that, "Trees are typically felled by axe or handsaw, cut to length

³⁸ See Lincang City, Reply Regarding the Request for Approval D3 (English)

³⁹ Chinese land is typically measured in Mu (亩). 1 hectare (ha) = 15 mu.

⁴⁰ Muddy Waters field research, and Lincang City Forestry Dept., Lincang Quota, See Appendix C1

⁴¹ Muddy Waters field research, and Lincang City Forestry Dept., Lincang Quota, See Appendix C1

in the forest and then carried to the roadside by hand.”⁴² Additionally, Poyry found that logging broadleaf in Yunnan would be more expensive than any other region in China because of the mountainous terrain and the distances required for carriage of logs to a truckable road.⁴³ In the few of the Company’s plots that Poyry visited in Yunnan in 2009, its forest description notes frequently indicate that the plots which had the best trees with “good form” or “higher stocking and standing volume” were either in places that were “remote”, “several km from the nearest navigable road,” or with “slopes [that are] steep up to 35 degrees” making the harvest all the more arduous.⁴⁴

To understand the sheer magnitude of the task involved, it is important to understand that Yunnan is a remote, rugged, mountain province that rises from the mountainous border areas of Burma and Laos all the way into the Tibetan Himalayas. Lincang itself is 92% mountainous, with two peaks over 3,000 meters (9,000 ft.), Lincang Snow Mountain and Yongde Snow Mountain, and its southern border drops down to the banks of the Lancang river (headwaters of the Mekong) in a progressive sequence of mountains and valleys.⁴⁵ In this rugged geography even the less mountainous, or “hilly” areas, would make for a difficult harvest. The prospect of harvesting any sizeable quantity of logs by hand would be daunting, magnifying the inefficiency exponentially. This brings us to another major hard constraint in this supply chain: logistics.

If by some miraculous feat of human labor, the Company’s army of farmers was able to selectively harvest the 2.2 million cubic meters of logs, there is the issue of actually transporting all of the wood. The roads through the mountains are dangerous, with switchbacks, steep precipices, and even no guard rails in the more remote mountain sections; roads leading into the agricultural areas are of a lower quality and often unpaved.⁴⁶ During the rainy season, which lasts from May to October, travel by road is further complicated by mud and occasional landslides. According to a local wood trader in Gengma city, Yunnan, the typical load for a small truck is about 20m³ and a large truck is 30 m³. Even if TRE was able to load up all of its trucks with 25 m³ and 35 m³ of logs per load, somewhere between 65,000 to 90,000 truckloads would have been required to make the journey to nearest rail station 200 km (120 miles) away, assuming no losses of trucks or logs while navigating the precipices and hairpin turns.⁴⁷

In short, unless this sale of 2.2 million cubic meters of broad leaf timber from Yunnan was fulfilled illegally (in excess of quota and without all of the requisite permits) and accomplished with an army of Chinese farmers and shipped out via a secret under-ground train tunnel running below the mountains, it either never happened or was grossly over-inflated.

IV. TRE’s \$800 Million Yunnan Scam Shows Timber Holdings are Forged

TRE claims to have purchased, under various master purchase agreements since 2006, timber costing \$2.891 billion. Smoking gun evidence shows that TRE overstated purchases from the

⁴² 2009 Poyry report, p. 21 <http://www.sinoforest.com/filings.asp>

⁴³ 2009 Poyry report, p. 22 <http://www.sinoforest.com/filings.asp>

⁴⁴ 2009, Poyry report, pp. A3-3 to A3-7. <http://www.sinoforest.com/filings.asp>

⁴⁵ Muddy Waters Research field work in Lincang and Gengma. For more information on Lincang city and the surrounding regions see: <http://www.yunnanadventure.com/YunnanGuide/Lincang-Travel-Guide.html>, <http://www.seeyunnan.net/view.asp?id=224>

⁴⁶ Blog: http://uselesstree.typepad.com/useless_tree/2011/04/dazhai-yunnan.html

⁴⁷ Muddy Waters Research Reports by FM and team.

Yunnan agent, Gengma Dai and Wa Tribes Autonomous Region Forestry Co. Ltd.⁴⁸ (also known as Gengma Forestry Co. Ltd. – see Appendix D1), which appears to be a legitimate agent, by approximately \$800 million.

The value of purchases made under Yunnan master agreement is overstated by approximately \$800 million. TRE announced in March 2007 that it had entered into a master agreement to purchase up to 200,000 hectares of plantation trees in Lincang City, Yunnan Province.⁴⁹ (Note that Gengma County is a sub-division of Lincang City.)

The SAIC file for TRE's Yunnan entity, Sino-Panel (Gengma) Co. Ltd. and the Lincang City Forest Bureau's 2008 – 2010 Work Completion Reports contain the following documents, which we used to understand the real terms of the Yunnan master agreement:

- 1) the Approval Letter by the Lincang City Commercial and Business Bureau (临商发《2007》68号) (Appendix D2)
- 2) the Approval Letter by Lincang City Development and Reform Commission (临发改经贸发《2007》234号) (Appendix D3)
- 3) the Lincang City's Forest Bureau 2008 Work Completion Report Summary and 2009 Work Leads (临林发 [2009] 1号) (Appendix D4)
- 4) the Lincang City's Forest Bureau 2009 Work Completion Report Summary and 2010 Work Leads (临林发 [2010] 1号) (Appendix D5)
- 5) the Lincang City Forest Bureau's 2010 Half Year Work Completion Report and Planning for the Second Half. (Appendix D6)

⁴⁸ This is the agent that TRE refers to as the Gengma Dai and Wa Tribes Autonomous Region Forestry Company in its March 2007 announcement of the master agreement.

⁴⁹ See Sino-Forest website.

The approval letters state that TRE has entered into an agreement to acquire 6,667 ha (300,000 mu) of forest plantation in Lincang City. TRE acquired 75,000 mu in 2007 from Gengma Forestry Co. Ltd. The Yunnan agent told us that after TRE completed this purchase, it helped TRE acquire another 13,333 ha (200,000 mu) in the nearby Lincang counties of Mengding and Cangyuan. Below is a photo of the agent's office that our field agent took.



Lest there be any doubt that the approvals omitted the other 160,000 ha that TRE claims is covered under the agreement, information about the local economy and forest industry make it clear that TRE did not enter into agreements to acquire such a large amount of forest, and at such a high per unit price.

The 2008 Work Completion Report states that Lincang City's forest industry output was approximately \$380 million (RMB 2.6 billion). The report also states that the forestry business received only \$32 million in foreign investment in 2008. TRE would have represented 80% of the forestry GDP for the entire city – let alone county. It would have invested approximately substantially more than the city reports in foreign investment in the industry. (Again, their main operation is in Gengma county, which is a sub-division of the city.) In the 2009 Report, the industry output reached approximately \$440 million for the entire city. More interestingly, the report states that the city only issued forest rights concessions of 267 ha (4,000 mu) for the year. The 2010 semi-annual report states that as of 2010, Lincang City had issued forest rights concessions of 45,526 ha, valued at approximately \$50 million. From these numbers, we can see that TRE is overstating the per hectare cost by about four times. Below is the calculation based on Lincang City's numbers:

\$50 million / 45,526 ha = \$1,098 per ha

vs.

TRE's claimed purchase price of \$4,865 per ha.

The sheer scale of TRE's claims regarding its Lincang City, Yunnan transaction contradict reality. The Bureau of Statistics of Lincang stated the GDP of Lincang City was \$3.1 billion in 2010 (Appendix D7). This contract alone would have caused local GDP to grow to four billion dollars, making Lincang the next Shenzhen in terms of growth rate.

From our fieldwork, we were told that Gengma County's 2010 total GDP was only \$475 million. If TRE were to be believed, it would have been the vast majority of the entire economy of the county.

Further, we made calls to a local wood product manufacturer that appears to be one of the larger such companies in the area. He is familiar with TRE, and stated that he believes TRE purchased about 150,000 mu of plantation forest, which is in line with the documents we obtained. We spoke with a local official at the Gengma County Forestry Bureau who stated that TRE purchased 50,000 to 60,000 mu of forest. This range is a decent bit lower than the amount stated in the documents. The constant throughout is that the measurement unit is mu (again 6.7% of a hectare).

By all indications, the Yunnan agent is a legitimate agent. At least it is the only agent with a relevant scope of business. Its scope of business includes "wood and wood product purchasing, processing, and sales; forestry and forestry-related product planting, purchasing, processing, and sales; specialized economic forestry and wood project development and construction&" ("木材及木材制品收购、加工、销售; 林业及林下产品种植、收购、加工、销售; 特种经济林木及制品基地建设 and 项目开发&")

V. TRE's Dodgy Timber Agents

Four Other Agents are Highly Unlikely to Have Sold the \$2.9 Billion TRE Claims to Have Bought

Four other agents are highly unlikely to have sold anything close to TRE's claim of a combined \$2.9 billion. These agents, which would be among the largest private businesses in their locales, generally operated out of apartments while purportedly each doing annual revenue in the hundreds of millions from TRE alone. Two of these agents are managed by a senior TRE executive, Lam Hon Chiu.

TRE does not disclose the Chinese translations of its agents' names. We obtained the Chinese names from PRC audit reports (contained in the SAIC files) of various TRE subsidiaries. We show the various audit report pages with the agents' names in Appendix E1. We did not obtain the Hunan agent's SAIC file in time for this report, and we did not find the Chinese name for the Guizhou agent.

Guangxi agent: Zhanjiang Bo Hu Wood Co. Ltd. (湛江博虎木业有限公司)

TRE claims to have entered into a master agreement in December 2007 under which (as of December 31, 2010) it has purchased 150,000 ha of plantation for \$646.6 million. We are skeptical for the following reasons:

- Bo Hu was incorporated only one month before TRE entered into this massive contract. See the business license in Appendix E2.
- Bo Hu was thinly capitalized at the time of entering into the agreement – its registered capital was only \$135,000 (RMB one million) at the time. Obviously Bo Hu was not extending any credit to TRE for the tens of millions of dollars in timber purchases it was likely making at a given time.
- Bo Hu's scope of business does not include anything related to forest agency (unlike the Yunnan agent supra). Its scope of business at the time of purportedly entering into the agreement was "wood products, plywood, glues, paper products, and decoration material (木制品, 胶合板, 胶水, 纸制品, 装饰材料). Bo Hu did not add attempt to anything relevant to forest agency until September 23, 2008. See the application to change the scope of business in Appendix E2.
- Bo Hu is incorporated in Guangdong province, and would likely have substantial tax issues operating in Guangxi province (due to incessant competition among tax authorities in China). Further, all companies dealing with wood products must have a wood product permit issued by the forestry bureaus within the provincial jurisdiction. Bo Hu's license is for Guangdong – not Guangxi. See Appendix E3.
- While purportedly generating hundreds of millions of dollars in annual revenue, Bo Hu's office was in an apartment building in this apartment complex from August 2008 through sometime in 2009:



How many \$200 million companies are in this apartment complex?

Bo Hu's current office is now in a proper office building, but the high level of security is unusual. On the ground floor, our researcher was stopped by security guards who seemed very cautious and alert. They questioned our researcher regarding why he was there. He was only permitted to enter the building after convincing the guards he had an appointment with Bo Hu's vice president of sales, Mr. Xu. There was yet another security guard stationed outside Bo Hu's office door on the second floor. This type of security around an office of this size is highly irregular in China.

- We spoke with a Mr. Xu, who is the vice president of sales for Bo Hu. He is certain that Bo Hu does not deal in Guangxi plantations. Mr. Xu did say however that Bo Hu is a customer of Sino-Panel (one of TRE's subsidiaries), and has been buying plywood from it since summer 2010 in volumes less than \$1.5 million annually.
- Bo Hu's audit report shows that it has made substantial payments to TRE entities, including an undisclosed subsidiary. (See Appendix E4 & E5.) As we discuss *infra* in *Glimpses of How TRE Steals the Money*, we believe that some of these entities may be tunnels through which TRE steals investor funds.
- Bo Hu's 2008 audit report shows revenue of approximately \$37,000 (RMB 250,189) – for the sake of clarity, that is thirty-seven thousand dollars. See Appendix E6. It is inconceivable to us that Bo Hu would be able to understate its revenue by over \$200 million (or 99.9%) – at over \$200 million in annual revenue, Bo Hu would be one of the larger privately-owned businesses in Zhanjiang. It would not be able to avoid booking so much revenue, in which case the revenue in the audit report would reflect much larger amounts.

Fujian Agent

- Zhangzhou Lu Sheng Forestry Development Company Limited (漳州绿盛林业发展有限公司) was incorporated on Nov. 19, 2007 (Appendix E7), just nine months before TRE entered an approximately one billion dollar (RMB seven billion) master contract with it.
- The registered capital was only \$78,000 (RMB 550,000) (Appendix E7).
- The registered address was at Floor 1, No. 7 Xibian Hongyang New Village (Orchid Garden), Shan Cheng Village, Nanjing County (南靖县山城镇溪边宏洋新村 (兰花园) 7号1层) until November 29, 2010 (Appendix E10). This address is the personal residential address of Mr. Wang Rui Mei (Appendix E8), who is also listed on the SAIC filings to be the legal representative, executive director, supervisor, and manager of the company (Appendix E11).

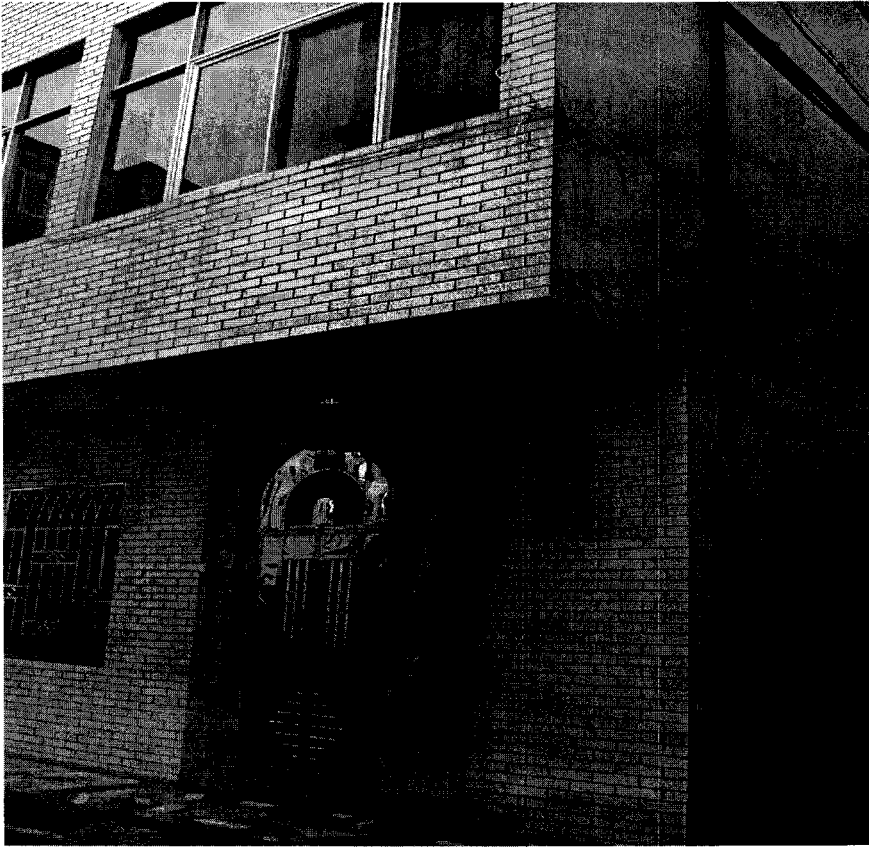
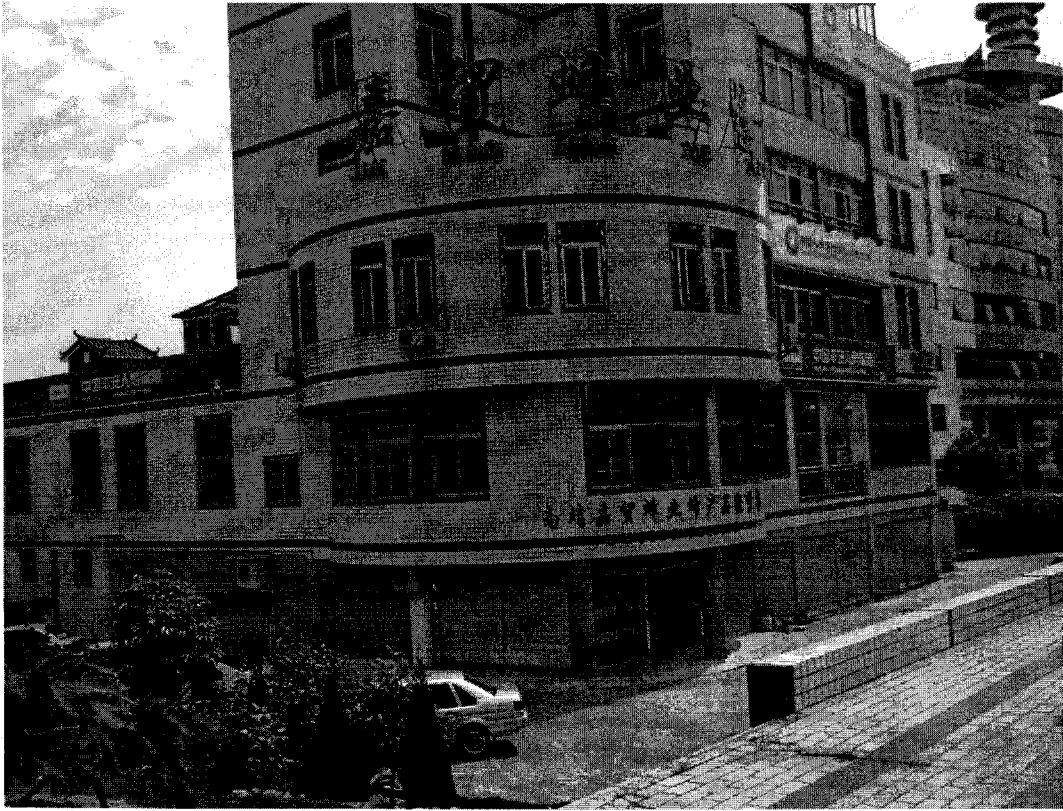


Image 10 No 7 Orchid Garden

- A copy of the master agreement signed by TRE and Zhangzhou Lusheng was found in the Sino-Panel (Fujian)'s SAIC files (Appendix E9a-E9g). It is a contract with a total of seven pages with no terms regarding liability – it seems to be an unlikely billion dollar contract. Interestingly, the contract stated that as of the time signing the contact Lusheng has already been authorized by the owners of 200,000 Ha of the forests in Fujian to act on their behalf. However, Lusheng did not have any wood or forestry related license at the time it entered into the contract.
- We sent a team of field agents to visit Zhangzhou Lusheng in Fujian. Our agents located the new registered address at 5th Floor, Jiamao Honey Industry, No 362 Construction Road, Shancheng Town, Nanjing County (南靖县山城建设路 362 号嘉贺峰业大厦 5 楼)。





Field enquiries confirmed that Zhangzhou Lusheng operates at the address on the 5th floor. There are four desks in Zhangzhou Lusheng's office, which appeared to be approximately 180 m2 with 5-6 employees in the office at the time of visit. This implies that Lusheng has an extremely efficient computer system (given that it processes so much money and so many payments with a small staff).

- Our researcher paid a visit to the Nanjing County Forestry Bureau and spoke with the Unit Head Mr. Ma there. Mr. Ma claimed that he has not heard about Zhangzhou Lusheng nor has he heard of Wang Rui Mei.

Jiangxi Zhonggan

- This agent is a related party. The legal representative and President of this company is TRE executive vice president, Lam Hong Chiu.
- Jiangxi Zhonggan Industrial Development Company Ltd (“Zhonggan”)江西中赣实业发展有限公司 was incorporated on January 28, 2009 just five months before TRE entered into an approximately \$700 million contract on June 16, 2009. See the business license in Appendix BB2.
 - Yun County Electronic Paper (云县电子报), an online newspaper operated by the Yun County local government (中共云县委云县人民政府主办), published an article naming Lam Hon Chiu as the general manager of Hong Kong Sino-Panel Company who has visited Yun County with government officials on July 23rd, 2010. <http://61.166.10.99:8011/Qnews.asp?ID=5340&QID=1837> (Appendix E12)
 - Dongkou County Hunan, an online article published on Dongkou County government website stated that on February 5, 2007, the county government met with the top management of Canadian Sino-Forest Group including Chairman Allen Chan (陈德源), VP Ye Han Xiang (叶翰祥) and VP Lam Hon Chiu (林汉钊) at Changsha discussing the possibility of investment in Dongkou County. <http://dongkou.mofcom.gov.cn/column/print.shtml?zhongyaozt/200707/20070704898019> (Appendix E13)
 - Qiqihaer City Heilongjiang, an online article published on June 20, 2006 on the Qiqihaer city's government website stated that the Qiqihaer government official met with the VP of Sino-wood (Asia) Limited Lam Hon Chiu (林汉钊) on their trip to Hong Kong to discuss investment in Qiqihaer City. http://www.qqhrmofcom.gov.cn/index.php3?file=detail.php3&kdir=2200134&no_wdir=2030157&id=830707&detail=1 (Appendix E14)
 - On one of the company listing website <http://www.bldg-materials.com.hk/master.php?keyword=1854> listed Lam Hon Chiu as the Senior Manager of Sino-Panel (Asia) Limited. (Appendix E15)

Jiangxi Zhonggan is clearly a related party related party.

- Jiangxi Zhonggan is a joint-venture incorporated by Hong Kong China Square Industrial Ltd. 香港中国坊实业有限公司 (China Square) and Nanchang Tongdasheng Industrial Company Ltd. 南昌市通达盛实业有限公司 (Tongdasheng) with a total register capital of USD 5 million with USD 4 million by China Square and USD 1 million by Tongdasheng.

- China Square is a company registered in both Hong Kong and BVI with Lam Hon Chiu as its legal representative, it seems to be a shadow actor on TRE's behalf to setup undisclosed but related subsidiaries in China.
- By looking at the SAIC file of Jiangxi Zhonggan's Chinese partner Nanchang Tongdasheng, we don't see any reason for its existence except that TRE needs a Chinese name to legally register a joint venture as its agent in Jiangxi. Tongdasheng was incorporated November 3rd, 2006, with a registered capital of 500,000 RMB. The registered address is a fishing village near Nanchang city 南昌市西湖区桃花镇渔业村. The business scope is Domestic Trading 国内贸易 (Appendix E16). According to the 2009 Annual Check Report in the SAIC files that the revenue of Tongdasheng for 2009 is USD 14,909.84 (RMB 104,368.93) with a net profit of USD 326.58 (RMB 2,286.07). It is nearly impossible for such a company to invest on its own with USD 1 million to setup Jiangxi Zhonggan with China Square unless someone else is "funding" the amount.
- Below is photos of the registered address of Nanchang Tongdasheng.





The 2008 and 2009 Jiangxi Zhonggang's audit report shows numerous large transactions between the Company, TRE, and other parties. However, none of these transaction is forestry related.

VI. The Capital Hole

Chinese government records show a capital hole that makes claimed timber purchases impossible.

China imposes capital controls that ensure there are records of significant movements of foreign currency into China. From TRE's PRC company SAIC files, it is clear that TRE's cash needs in China outstrip the capital it has contributed to its China operations by at least \$377 million, and possibly quite more. China's capital controls prevent TRE from funding its operations from outside of the PRC by purchasing trees through payment of foreign currency.

When an existing PRC company wants to bring foreign currency into China as investment in the business, it applies to the Ministry of Commerce, the State Administration of Foreign Exchange, and the State Administration of Industry and Commerce ("SAIC"). Once the authorities approve the application, the company may bring in the approved amount of foreign currency. When an investor forms a new foreign-owned company, it must specify foreign currency it will invest.

The authorities will review the entire establishment application, including the portion requesting the right to bring foreign currency into China.⁵⁰

A given company's SAIC file shows records current within a few months of all applications for injecting equity capital. Further, PRC law requires equity capital injections to be verified by PRC licensed accountants. The amount of debt a company can borrow is limited by law, and SAIC records reflect the amount of money that a company is approved to borrow from offshore. However, debt injections are not recorded in SAIC files. We totaled up all of TRE's actual equity injections and approved debt injections (again, the debt capital is not verified, but we gave TRE the benefit of the doubt), and the amount of capital that went into TRE's PRC operations is only \$1.213 billion since 1994. Its investments were \$1.7 billion larger than its operating cash flow during this period. (Note that these figures also exclude the need for operating cash.) Therefore, TRE has a capital hole of \$377 million to \$922 million. It could not have purchased the trees it claims to have.

(USD millions)	
OCF	3,308
CapEx - Disposals	5,058
Total ST Borrowings incl. Repayments	160
Onshore Capital Need	1,590
Capital Contributed - High	1,213
Capital Contributed - Low	668
Onshore Cash Hole - Low	377
Onshore Cash Hole - High	922

Cash flow numbers from Bloomberg. To be conservative, we assumed that all short-term borrowings were onshore.

TRE could not have funded its business with foreign currency. If TRE were going to pay the supplier in foreign currency, it would be illegal unless the goods sold were for export. Because the investments are not for export out of the PRC, the sellers would not be able to obtain customs declarations. Large amounts of foreign currency hitting the sellers' bank accounts without accompanying customs declarations would be quite risky for the sellers just on a one-time basis – such a transaction could lead to inability to convert the currency, and issues with the customs and tax bureaus. We do not believe that TRE found suppliers willing to engage in transactions with such large risks throughout its 16-year reporting history. Therefore TRE could not have made these investments by paying the sellers in foreign currency in the PRC.

TRE's agents under the master purchase agreements are thinly capitalized (see *infra* TRE's Dodge Timber Agents). They could not have each funded hundreds of millions of dollars in undocumented currency swaps done through offshore bank accounts.

⁵⁰ For more on how China's currency controls work, see Collins, Robert and Block, Carson "Doing Business in China for Dummies" (Wiley 2007), chapter 9.

TRE's only means of funding these investments would have been by injecting investment capital into its own PRC companies, which it did not do in sufficient amounts. Therefore, TRE's claimed investments and revenues are fraudulent.

VII. TRE's Manipulation of Poyry Reports

TRE's abuse of Poyry's name is well-illustrated by a recent statement that TRE CFO David Horsley made at the annual shareholders' meeting on May 30, 2011 that Poyry teams spend "four to six personal weeks" in the field evaluating TRE's holdings. On a June 1, 2011 call the statement was clarified to mean that a team of four people each spends six days in the field, so that the total approximates six man-weeks of work. (Amusingly reminiscent of Bill Clinton's "I did not have sexual relations" comment.)

Since 2003 Poyry (Beijing) and its Shanghai branch have been engaged to conduct reviews of TRE's operations and value its assets; however, Poyry's purpose is only to estimate the market value of the forest assets based on information provided by TRE, and not to perform due diligence or confirm the ownership of the forest areas.⁵¹ In numerous locations throughout the reports, Poyry adds disclaimers, stating:

- Poyry has not viewed any of the contracts relating to forest land-use rights, cutting rights, or forest asset purchases⁵²
- It is important to understand that this is not a confirmation of forest ownership, but rather a verification of the mapped and recorded areas of stocker forest.⁵³

However, despite a generally favorable report, Poyry nevertheless cannot hold back a degree of astonishment at TRE's unusual trading practices, describing in the reports opening paragraphs that TRE's forest holdings are "dynamic" (emphasis provided by Poyry).⁵⁴ Poyry states, "Unlike most forest owners and managers, Sino-Forest actively trades in forests. Each year the company both sells and buys forests, and accordingly the composition of the forest estate changes much more than for a business that is simply managing and harvesting a more static resource."⁵⁵ This fact greatly complicates its inspection and valuation process as "the composition of Sino-Forest's estate can change quite significantly from one year to the next."⁵⁶

Certainly such dynamic trading complicates inspection and verification activities, as it is tantamount to a giant shell game. With a maximum of only 53% of existing 2008 forest being carried over into 2009,⁵⁷ it is easy to disclaim any specific accusation of lack of forest rights ownership in any given plot or region.

⁵¹ Conference call, June 1, 2011, Poyry valuation discussion.

⁵² 2009 Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. iv <http://www.sinoforest.com/filings.asp>

⁵³ 2009 Poyry, p. 12

⁵⁴ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. vi & 8

⁵⁵ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. vi & 8

⁵⁶ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 8

⁵⁷ 2009 Poyry report, Valuation of China Forest Crop Assets As at 31 December 2009, 23 April 2010, Rev 03, www.sinoforest.com/filing.asp, p. 8

In introducing its methodology for assessing risk into the discount rate calculation, 2009 Poyry explains that the valuation of forest crop assets faces challenges, including:

- The reliability of forest descriptions
- The accuracy of yield prediction
- Achieving high growth rates in a consistent manner⁵⁸

The Poyry report explains that its review of forest land holdings consisted of selecting 66 cluster maps that represented only 1,611 ha of forest, or only about 0.3% of TRE's claimed 491,000 ha.⁵⁹ During the June 1, 2011 conference call, Poyry revealed that the figure for the 2010 assessment was only 0.1% of estate holdings due to the substantial increases in newly acquired plantations. Poyry further reveals that current yield tables for these forests have not been properly established.⁶⁰ Poyry has performed some field studies and collected sample data from various plots, but its statistical analysis comes with the caveat that "in comparison with most other forests, the large Sino-Forest estate is significantly under-sampled for growth and yield purposes."⁶¹ In short, due to the poor quality of data and documentation on the forest plot, until there is an opportunity to both verify the forest's physical characteristics and use satellite imagery on all forest claims, that the sample sizes are too small to establish significance. Poyry and all investors then can only take TRE at its word that the remaining 99.9% of its purported holdings are accurate in terms of their size, yield, and composition.

Do You Think a 2.5% Risk Premium on TRE's Discount Rate for WACC Seems a Little Low?

Poyry's 2009 report includes an appendix detailing the calculation method for the discount rate, WACC, and CAPM; wherein the consultant, Dr. Mardsen, from the University of Auckland's Dept. of Accounting and Finance of the School of Business, provides details on formulas used to value a generic forest asset in the China. Dr. Mardsen repeatedly emphasizes the need to keep in mind the additional risk associated with developing markets, such as capital controls, political instability, corruption, poor accounting and managerial controls, an uncertain legal framework and lack of protection of investor property rights; and factor a premium onto the discount rate of the cost of capital, stating:⁶²

In China and in emerging markets the level of corporate governance may vary significantly between companies. Corporate governance is important as it provides mechanisms whereby outside investors can protect themselves against expropriation by insiders. Corporate governance can impact on the risks that outside investors may face in respect of any expropriation of assets. These factors together with the size and other market frictions may warrant an adjustment to the cash flow expectations and/or an

⁵⁸ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 55

⁵⁹ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 11

⁶⁰ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 17

⁶¹ Poyry, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2009, Final Report, 23 April 2010 Rev. 03, p. 17

⁶² 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 5

increment to the cost of capital for the forest if investors' property rights are not clearly defined. Where control is not obtained a minority discount and / or illiquidity discount may apply.⁶³

Dr. Marsden calculates the real pre-corporate tax WACC range of between 7.1% to 12.8%. Poyry then selected the current 8.5% to 9.0% discount rates in New Zealand and adds a 2.5% to 3.0% resulting in a discount rate of 11.5%, providing for the 2006 pre-tax cash flow valuation of TRE's assets at \$2,297.5 million USD as of December 31, 2010.⁶⁴ But, Dr. Marsden closes with a note and a warning:

If significant corporate governance and agency cost issues between insides and outside investors arise (e.g. from lack of transparency, possible risk of expropriation of assets, restrictions of remittance of profits, or exchange rate control), the use of cost of capital at the upper end of our range may be warranted.⁶⁵

It begs the question; if evidence of systemic and comprehensive fraud and illegal activity is discovered in the Company from inception, throughout its operating history, and into the present, by how much would the discount rate need to be adjusted?

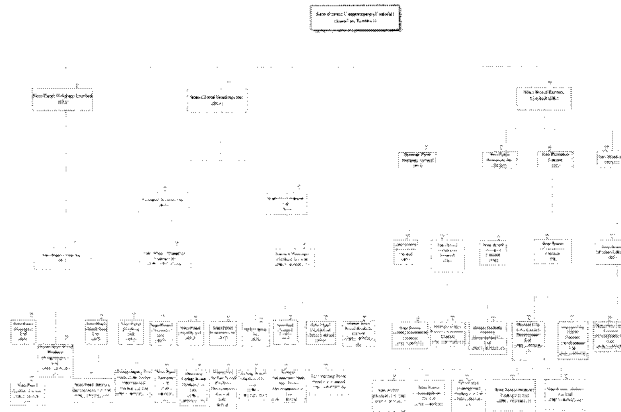
⁶³ 2009 Poyry, P. 4, 5

⁶⁴ 2009 Poyry, p. vi; 58; 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 23.

⁶⁵ 2009 Poyry Report Appendix: Uniservices, Investment Appraisal for Forest Investment in China, 5 Jan 2010. P. 23

VIII. Egregiously Complex and Opaque Offshore Structure

In TRE’s 2010 annual information form, it discloses that it has at least 20 British Virgin Island (“BVI”) entities. As a recent South China Morning Post article points out, BVI is the favorite domicile of Chinese seeking opacity. There is no public shareholder registry, and there are no requirements to file tax returns. TRE no longer discloses its organizational chart, but the last one it made available in an annual information statement is from 2007 – see below. This structure is highly opaque, and in our view, unnecessary for legitimate business purposes. It is not a tax-optimized structure either due to direct ownership of PRC entities by BVI subsidiaries. (Dividends remitted to Hong Kong holding companies are taxed at a lower rate than dividends to BVI owners.) We therefore pose the following question to TRE’s management (given its emphasis on its transparency): “Why have you structured the business in this way?”



IX. Suspicious Bank Document

Suspicious Bank Document.

The following bank letter appears to be written on behalf of Sino-Wood Partners, Ltd. We found it in incorporation applications in the SAIC files for four of Mandra's entities. TRE, which now owns 100% of Mandra, was a founding shareholder of Mandra with a 15% stake. Sino-Wood was the entity that was reverse merged into the public shell to make TRE a public company. It had been expected to IPO in 2003, but the IPO was unexpectedly canceled.

①



PRIVATE & CONFIDENTIAL

Ref

CMB TSD Division B

Relevant Approval Authorities and Administration
Authorities for Industry & Commerce

1 February 2005

Dear Sirs

Re: MANDRA FORESTRY ANHUI LIMITED

At the request of Sino-Wood Partners Limited (the "Company"), we have pleasure in advising that the Company has maintained an active and satisfactorily conducted current account with us. General banking facilities to the extent of HKD medium eight figures have been granted to the Company on an unsecured basis. For the past twelve months, we have handled their import/export bills business with satisfactory results. We consider the Company is good for normal business engagement.

The aforesaid information is given in strict confidence and without any responsibility, howsoever arising, on the part of the Bank or any of its officers.

Yours faithfully

A handwritten signature, appearing to be a stylized letter 'A' or a similar mark, written in dark ink.

X. Shoddy Corporate Governance

Internally, TREs fraud was enabled by poor corporate governance. The corporate governance issues include the following:

- TRE's board appears to be the retirement plan for partners of its auditor, Ernst & Young. It currently has five directors on its board from E&Y. We believe that such a clubby atmosphere can dull the auditors' ability to perceive problems.
- We are bothered by senior management's practice of paying its salary via fees to a consulting firm – this is inappropriate for a public company with a multi-billion dollar market capitalization. More disturbing is senior management's C\$12 million buyout of its own shares in subsidiary with investor funds. (The subsidiary's planned 2003 IPO was unexpectedly canceled.)
- TRE failed to disclose a 2003 petition to wind it up at the listed company level.
- TRE has failed its internal control test. The 2010 failure is due to senior management personally handling settlement of accounts receivable and accounts payable. This is particularly troublesome because the notes to TRE's financial statements appear to state that the majority of TRE's receivables from its accounts receivable are paid by TRE's AIs to TREs agents to pay off timber purchases. If our reading is accurate, then a substantial portion of TRE's purported revenue would not even be expected to hit its bank account, thereby making the fraud substantially easier to carry out.

XI. Glimpses of How TRE Steals the Money

- From reviewing TRE and the "Agent's'" annual inspection and audit reports from the SAIC files, it seems that the agents mainly serve as a tunnel to move money for TRE.
- These agents generally report little to no revenue or profit, and pay little to no tax. However, they have balance sheets orders of magnitude the sizes of their revenues. The balance sheets mainly consist of receivables from TRE entities, and disturbingly, payables to TRE entities.
- Both Yunnan and Guangxi agents are sending a large amount of money to TRE's

2009	Zhanjiang Bohu 湛江博虎	Jiangxi Zhonggan 江西中赣	Gengma Forestry 耿马林业
Revenue		¥58,516,200.00	¥455,400.00
Tax Paid		¥0.00	¥122,757.00
Profit	Not Available	¥42,528,626.48	(¥1,199,609.00)
Total Assets (Year End)		¥619,731,395.86	¥121,465,482.00
Total Debts (Year End)		¥543,260,074.78	¥120,338,833.00

Bohu's 2008 Transactions (TRE entities are highlighted) (Appendix E4 and E5)

Bohu 2008

Prepayments Made

Shaoyang Jiading (TRE)	邵阳嘉鼎	¥49,871,398.63
Hunan Jiayu (TRE)	湖南嘉裕	¥24,202,808.06
Xiangxi Jiayi (TRE)	湘西嘉熙	¥30,925,793.41
		¥105,000,000.10

Other Account Receivable

Sino-Panel (TRE)	嘉汉板业	¥38,661,000.00
Guangxi Dacheng	广西大成	¥15,000,000.00
Xuwen Hengdong	徐闻恒东	¥7,610,000.00
Guangxi Bohu	广西博虎	¥3,200,000.00
Beihai Real Estate	北海房地产	¥27,813,100.00
Zhanjiang Tianxiang	湛江天翔	¥25,450,000.00
Zhanjiang Tianlun	湛江天伦	¥19,000,000.00
Leizhou Bangsheng	雷州邦盛	¥40,000,000.00
Leizhou Hengfu	雷州恒福	¥1,897,777.11
Other	其它	¥1,009,563.51

Bohu has an account payable of RMB 327.8 million to six companies. Four of the six companies are Sino-Panel Subsidiaries. The fifth company Huaihua Yuda is an undisclosed TRE subsidiary that has been receiving massive amounts of money from TRE's subsidiaries. The last company listed is Guangxi Bobai Forestry, which is supposed to be a partner forestry company in Guangxi; however, but the amount owed RMB 2.09 (\$0.30) pales in comparison.

Jiangxi Zhonggan (an undisclosed related party) plays the same games. Its 2009 audit report shows that it had received a prepayment of RMB 448.6 million from Sino Panel China (Investment) Company Ltd. In the same year, it made a prepayment of RMB 212.0 million to Harbin Oubangde Economic and Trading Co. Ltd., a trading company in Harbin, whose business has nothing to do with acquiring forests in Jiangxi Province. According to the audit report, Jiangxi Zhonggang has dealt with more trading companies than forestry companies. (Appendix K3 and K4)

The same is true for Gengma Forestry (a mostly legitimate agent). Its revenue has been declining since it entered into the master agreement with TRE. The revenue was RMB 3.6 million in 2007, and declined to RMB 160,000 RMB in 2008 and RMB 455,400 in 2009. The assets and debts are 787 times 2008 revenue, and 266 times 2009 revenue. Although it really does broker forests, it appears to be helping TRE in some way beside acquiring forest.

TRE has a significant undisclosed subsidiary, Huaihua Yuda Wood Company Ltd. (怀化裕达木业有限公司). Huaihua Yuda has taken massive amount from TRE's subsidiaries, but its existence was never disclosed. In 2007, Huaihua Yuda received a prepayment of RMB 92.0 million from Sino Panel (Hezhou) and another payment of RMB 81.0 million from Sino Panel (Gengma). (Appendix K5 and K6) According to our research from two government websites, Huaihua Yuda is a subsidiary of TRE.

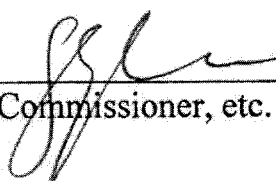
XII. The Multi-Billion Dollar Ponzi Scheme

Sino Forest to date has raised over \$3.05 billion from the capital markets and has not paid a cent back from free cash flow, nor has it paid a dividend.

an acquisition pipeline, TRE cannot justify raising capital from new investors. Without new investors, it cannot repay old investors, and would fall apart.

As expected, TRE is still talking about a large acquisition pipeline for 2011.

This is Exhibit "D" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.


A Commissioner, etc.

PLAINTIFFS' LITIGATION PLAN

CLASS COUNSEL

1. The plaintiffs have retained Siskinds LLP and Koskie Minsky LLP ("Class Counsel") to prosecute this class action. Class Counsel has the requisite knowledge, skill, experience, and resources to prosecute the action to resolution.
2. The U.S. law firm of Kessler Topaz Meltzer & Check, LLP ("Kessler Topaz") has also been retained to assist in this matter. Kessler Topaz, by virtue of its extensive experience and accomplishments in securities class actions, can assist on a wide arrange of issues including the selection of appropriate consulting or testifying experts, an assessment of class damages, the review and analysis of documentary evidence produced in the litigation and the preparation of witnesses or counsel for cross-examinations or examinations for discovery. Kessler Topaz will also provide assistance with any U.S. law that may apply to the claims of some or all U.S. resident class members. Kessler Topaz will not provide advice as to Canadian law or procedure, nor will they be conducting cross-examinations or making Court appearances in this action.

THE COMPOSITION OF THE CLASS

3. The plaintiffs seek to represent the Class, consisting of:

All persons and entities, wherever they may reside, who acquired Sino-Forest Corporation common shares, notes or other securities, as defined in the *Securities Act*, R.S.O. 1990, c. S.5 ("OSA"), during the period from and including March 19, 2007 to and including June 2, 2011:

(a) by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter; or

(b) who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino-Forest Corporation's securities outside of Canada,

excluding the defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an individual defendant.

REPORTING AND COMMUNICATION

4. Class Counsel has posted information about the nature and status of this action on their websites.¹ That information will be updated regularly. Copies of important, publicly available court documents, court decisions, notices, documentation and other information relating to the action are or will be accessible from the websites.
5. The websites also:
 - (a) contain a communication webpage, a feature that permits putative Class Members to submit inquiries to Class Counsel, who will promptly respond;
 - (b) list a toll-free telephone direct dial number, permitting putative Class Members to make inquiries to a live person.

DOCUMENT MANAGEMENT

6. Class Counsel will use data management systems to organize, code and manage the documents produced by the defendants and all relevant documents in the plaintiffs' possession. Class Counsel will seek the agreement of defendants' counsel to facilitate the electronic exchange of documents.

LITIGATION SCHEDULE

7. The plaintiffs have brought a motion seeking leave to amend the statement of claim to advance the cause of action available under Part XXIII.1 of the *OSA* and the equivalent securities legislation in other provinces of Canada.

¹ <<http://www.kmlaw.ca/sinoforestclassaction>>

<<http://www.classaction.ca/classaction-ca/master-page/actions/Securities/Current-Actions/Sino-Forest-Corp-.aspx>>

8. The leave motion is scheduled for the same hearing date as the certification motion.
9. After disposition of the leave motion and the certification motion, absent agreement among counsel, the plaintiffs will ask the court to set a litigation schedule for the remaining steps in the action. The plaintiffs may ask from time to time that the litigation schedule be amended.

NOTICE PURSUANT TO SECTION 138.9 OF THE *OSA*

10. In the event that leave is granted by the court under Part XXIII.1 of the *OSA*, then, pursuant to section 138.9 of the *OSA*, the plaintiffs will:
 - (a) promptly issue a news release disclosing that leave has been granted to commence an action under Part XXIII.1;
 - (b) send a written notice to the Ontario Securities Commission within seven days, together with a copy of the news release; and
 - (c) send a copy of the statement of claim, as filed, to the Ontario Securities Commission.
11. The plaintiffs will also put a copy of the news release and leave decision of the court on the websites of Class Counsel.
12. Prior to the issuance of that notice, the plaintiffs will bring a motion for an order approving the form, content and manner of distribution of the section 138.9 notice, and requiring the defendants to pay the costs thereof. In the event that the court does not order the defendants to pay those costs, then the plaintiffs will issue that notice at their own expense, reserving their right to seek recovery of these costs from the defendants by order of the judge presiding at the trial of the common issues.

NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE

13. If the action is certified as a class proceeding, the plaintiffs propose that a notice advising of the certification be circulated to advise class members, among other things, that:
- (a) the court certified the action as a class proceeding;
 - (b) a person may only opt out of the class proceeding by sending a written election to opt out to the recipient designated by the court before a date fixed by the court;
 - (c) a person may not opt out of the class proceeding after the date fixed by the court; and
 - (d) if the common issues are resolved in favour of the class members, claimants may be required to file a claim and submit documentation to a designated person in order to be entitled to any compensation.
14. The plaintiffs propose that the notice advising of certification, in a form approved by the court, be distributed and published in the following manner:
- (a) posted by Class Counsel on their websites;
 - (b) provided by Class Counsel to any person who requests it;
 - (c) sent directly to the addresses of class members based on a list of names and addresses for security holders to be provided by the defendants;
 - (d) published once in the national edition of *The Globe and Mail*, Report on Business section;
 - (e) published once in the national edition of the *National Post*, Financial Post section;
 - (f) published once in *La Presse*;
 - (g) made available orally by recorded message at Class Counsel's toll-free line;
 - (h) sent to brokers in Canada asking them to bring the notice to the attention of their clients who acquired Sino-Forest securities during the class period; and
 - (j) posted by Sino-Forest in a prominent location on the main page of its website.

15. The plaintiffs may ask the court to order that the defendants pay the costs of disseminating the notice in the above manner. Alternatively, the plaintiffs will pay the costs in the first instance, reserving their right to seek recovery of these costs from the defendants by order of the judge presiding at the trial of the common issues.

THE PLAINTIFFS' EXPERTS

16. The plaintiffs have retained the following experts to date:
 - (a) Forensic Economics Inc., a firm of economists and damages experts, to provide assistance on the efficiency of the market for trading in the Sino's securities during the class period.
 - (b) Rosen & Associates Limited, a firm of chartered accountants that have provided an expert report evaluating Sino-Forest's financial reporting and the professional performance of Sino-Forest's auditors.
 - (c) Carol-Ann Tjon-Pian-Gi, a lawyer in Suriname, South America, who has provided advice and assistance as to Suriname law as they relate to allegations regarding Sino-Forest's operations in that jurisdiction.
 - (d) Dacheng Law Offices, a law firm in China, which was retained to provide advice and assistance as to law in the People's Republic of China as they relate to allegations regarding Sino-Forest's Chinese operations.
17. Class Counsel has the expertise and resources to identify and retain appropriate expert assistance as the matter proceeds.

REFINEMENT OF COMMON ISSUES

18. Following the filing of statements of defence and the completion of discovery, the parties may seek an amendment of the order certifying this proceeding to deal with any necessary refinement to the common issues arising from those processes.

TRIAL OF THE COMMON ISSUES

19. The plaintiffs will seek the early appointment of the common issues trial judge to address issues of trial management in advance of the trial to ensure the orderly and efficient determination of the common issues.
20. The plaintiffs will ask the court to hold the trial of the common issues twelve (12) months after the completion of the examinations for discovery and the production of the information required by the undertakings and any motions.
21. Part XXIII.1 of the *OSA* provides specific directions for the calculation of damages payable under those provisions. The plaintiffs will ask the court at the common issues trial to determine the formula by which the damages of class members are to be calculated.
22. To the extent possible, the plaintiffs will ask the trial judge to apply sections 23 and 24 of the *CPA* to the assessment of damages.
23. The plaintiffs will also seek an order under section 26 of the *CPA* that the defendants pay into court, or some other appropriate depository, the total amount of the defendants' liability to the class.

NOTICE OF THE RESOLUTION OF THE COMMON ISSUES

24. If the common issues, or some of them, are resolved in favour of the plaintiffs, the court will be asked to:
 - (a) settle the form and content of the notice of resolution of the common issues.
 - (b) order that the notice of the resolution of the common issues be distributed to those class members who did not validly opt out.

- (c) determine the most efficient method of distribution of the damages under sections 23, 24 and 26 of the CPA and, if required,
 - (i) prescribe the information required from class members in order to make a claim under Part XXIII.1 of the *OSA*; and
 - (ii) prescribe the information and procedure required in order for class members to make a claim at common law.
- (d) if necessary, set a date by which each class member may be required to file a claim.

25. The plaintiffs propose that the notice of resolution advise class members, among other things:

- (a) the plaintiffs were successful on the common issues, or some of them;
- (b) the amount of damages awarded, if any, and the method of distribution or claims procedure as determined by the court;
- (c) damages for each class member under Part XXIII.1 of the *OSA* will be calculated based on her/his/its trading particulars;
- (d) each class member will have the opportunity to review and, if necessary, provide information to correct the calculation of his damages under Part XXIII.1 of the *OSA* by accessing personal transaction particulars through the secure portion of the websites;
- (e) if the liability caps under Part XXIII.1 of the *OSA* are engaged and if any further facts require additional proof, each class member will have the opportunity to come forward and establish the defendants' liability at common law or equity by proving the facts prescribed by the court, should the claimant choose to do so; and
- (f) their rights against the defendants in relation to the misrepresentations alleged will be deemed to have been finally adjudicated whether they submit a claim or not.

26. The plaintiffs will ask the court to order that the notice of resolution of the common issues be distributed substantially in accordance with the procedure set out in paragraph 14 above. This notice, to the extent possible, should be sent directly to each class member.

CLAIMS PROCESS IF AGGREGATE AWARD OF DAMAGES

27. If the court at the common issues trial determines that damages can be determined on an aggregate basis and awards judgment accordingly, then the plaintiffs will ask the court to appoint a claims administrator, with such rights, powers and duties as the court directs, to receive and evaluate claims in writing and to distribute the monetary award in the most efficient and cost-effective manner in accordance with the protocols approved by the court pursuant to sections 24 and 26 of the *CPA*.
28. In order to simplify the claims process, the administrator will, wherever practical, utilize:
 - (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the websites ("Database");
 - (b) standardized claims forms and filing procedures; and
 - (c) summary methods of introducing documentary evidence.
29. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Sino-Forest securities, and, if applicable, evidence confirming disposition of Sino-Forest securities.
30. The court will be asked to set a deadline by which class members must file their claims with the administrator.
31. Any person who does not file a claim with the administrator before the claims deadline will not be eligible to participate in the damages assessment procedure and will not be entitled to recover any damages without leave of the court.

32. If any claimant disagrees with the administrator's decision relating to eligibility or calculation of damages, he may elect to have the administrator reconsider its decision within a time period fixed by the court.
33. The administrator's decisions will be final. There shall be no right of appeal from the administrator's decisions.
34. If the total available for distribution to class members is not fully disbursed to the class members within a period of time fixed by the court, the unpaid amount shall be distributed by the administrator to designated recipients in such manner and on such terms as the court may direct.

PROCESS IF INDIVIDUAL ISSUES REQUIRE DETERMINATION

35. If the court at the common issues trial determines that damages cannot be determined on an aggregate basis, then the plaintiffs will ask the court to appoint a referee, with such rights, powers and duties as the court directs, to receive and evaluate claims (including submissions and evidence) with respect to any outstanding individual issues and the assessment of damages, pursuant to section 25 of the *CPA*.
36. In order to simplify these determinations, the referee will, wherever practical, utilize:
 - (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the websites ("Database");
 - (b) standardized the forms and filing procedures for evidence and submissions; and
 - (c) summary methods of introducing documentary evidence.
37. The types of evidence required for such determinations shall be specified in a protocol to be approved by the court and depend on the individual issues required for determination.

38. The court will be asked to set a deadline by which class members must file their submissions and evidence with the referee.
39. Any person who does not file a claim with the referee before the claims deadline will not be entitled to recover any damages without leave of the court.
40. If any claimant disagrees with the referee's decision relating to the determination of issues of liability and the claim is for an amount exceeding \$100,000, he may appeal to the Ontario Superior Court of Justice in respect of such liability issues only within a time period fixed by the court.
41. Except as provided in paragraph 40, the referee's decisions will be final and there shall be no right of appeal.

Small Claims (Under \$25,000)

42. The referee's determination of claims of less than \$25,000 requiring individual determination shall proceed in writing. The claimant will be required to file affidavit evidence setting out their evidence and any defendant may cross-examine an affiant on their affidavit by written interrogatories (in accordance with rule 35 of the *Rules of Civil Procedure*).

Summary Claims (\$25,000-\$100,000)

43. The determination of claims between \$25,000 and \$100,000 requiring individual determination shall proceed by analogy with the simplified procedure set out in rule 76 of the *Rules of Civil Procedure*.

44. The claimant will be required to file (a) an affidavit of documents prepared in accordance with rule 76.03; and (b) affidavit evidence relating to the individual issues remaining to be proven.
45. The referee may make decisions on the claims on the basis of the record, or may, in his discretion, conduct a summary trial of such claims in accordance with rule 76.12 of the *Rules of Civil Procedure*.

Full Claims (Over \$100,000)

46. The determination of claims over \$100,000 requiring individual determination shall require class members to:
 - (a) serve on the defendants an affidavit of documents prepared in accordance with rule 30.03 of the *Rules of Civil Procedure*; and
 - (b) attend for an oral examination for discovery (in accordance with rule 34), or provide answers to written interrogatories (in accordance with rule 35), as any defendant wishing to examine them may elect.
47. The referee may, in its discretion, make a decision on the individual issues based on the documentary and discovery evidence, or conduct a trial of such claims.

ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION

48. After the trial of the common issues, the plaintiffs will ask the court to approve an agreement respecting fees and disbursements with Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and GST are not completely paid by the costs recovered from the defendants, the unpaid balance shall be a first charge on the total recovery and paid before any distribution to the class members.
49. The plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of all notices associated with the process and the fees and

disbursements of the administrator and referee as these costs are incurred. Absent that court order, the plaintiffs will seek an order that these costs be paid out of the total recovery after payment of Class Counsel's fees and disbursements but before any distribution to the class members.

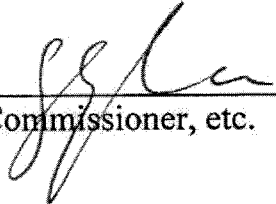
FURTHER ORDERS CONCERNING THIS PLAN

50. This litigation plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

EFFECT OF THIS PLAN

51. This litigation plan shall be binding on all class members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the litigation plan.

This is Exhibit "E-1" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.


A Commissioner, etc.

ON READING the motion records of the plaintiffs, and the motion records of the defendants and of the proposed defendants, and the transcription of and the productions arising from the cross-examinations of certain of the parties and affiants, as well as the draft fresh statement of claim as filed in December 2008; and

ON HEARING the submissions of counsel for the plaintiffs, and of counsel for the defendants and proposed defendants, and for Reasons for Decision dated December 14, 2009:

1. THIS COURT ORDERS that the following definitions apply for the purpose of this order:

- (a) "Class Period" means the period from and including the opening of trading on the TSX and NASDAQ on February 17, 2006 to and including the close of trading on the TSX and NASDAQ on August 9, 2006;
- (b) "Excluded Persons" means Imax's subsidiaries, affiliates, officers, directors, senior employees, legal representatives, heirs, predecessors, successors and assigns, and any member of the defendants' families and any entity in which any of them has or had during the Class Period and legal or de facto controlling interest;
- (c) "February Press Release" means Imax's press release dated February 17, 2006;
- (d) "Form 10-K" means Imax's Form 10-K for the fiscal year ending December 31, 2005, which was required to be filed with the U.S. Securities and Exchange commission under the *Exchange Act*, and which included Imax's annual report for fiscal 2005;
- (e) "Imax" means Imax Corporation;
- (f) "Individual Defendants" means Gelfond, Wechsler and Joyce;
- (g) "March Press Release" means Imax's two press releases dated March 9, 2006;
- (h) "OSA" means the *Securities Act*, R.S.O. 1990, c. S.5;

- (i) "Representation" means the statement explicitly and/or implicitly contained in the February Press Release and expressly repeated in the Form 10-K and Imax's annual report for fiscal 2005, that Imax's revenue for the 2005 fiscal year were prepared and reported in accordance with generally accepted accounting principles and that such revenues met or exceeded the earnings guidance previously issued by Imax; and
- (j) "TSX" means Toronto Stock Exchange.

2. THIS COURT ORDERS that this action be and is hereby certified as a class proceeding.

3. THIS COURT ORDERS that the class is defined as:

All persons, other than Excluded Persons, who acquired securities of Imax during the Class Period on the TSX and on the NASDAQ, and held some or all of those securities at the close of trading on August 9, 2006 (the "Class Members").

4. THIS COURT ORDERS that Marvin Neil Silver and Cliff Cohen be and are hereby appointed as the representative plaintiffs.

5. THIS COURT DECLARES that the causes of action asserted on behalf of the Class are conspiracy, negligent misrepresentation, reckless misrepresentation and statutory civil liability to secondary market purchasers for misrepresentation in continuous disclosure documents pursuant to Part XXIII.1 of the *OSA*.

6. THIS COURT DECLARES that the common issues are:

- 1. Did Imax or the Individual Defendants, or any of them, represent that Imax's revenues for the 2005 fiscal year were reported in accordance with generally accepted accounting principles and that such revenues met or exceeded earnings

- guidance previously issued by Imax? If so, who made the Representation, when, where and how?
- (a) Was the Representation false?
 - (b) Was the Representation publicly corrected? If so, when?
2. Did Imax or the Individual Defendants, or any of them, make the Representation negligently, or recklessly, caring not whether it was true or false? If so, who made the Representation, when and how?
 - (a) Did the Individual Defendants, or any of them, authorize, permit or acquiesce in the making of the Representation while knowing it to be a misrepresentation?
 3. Did Imax or the Individual Defendants, or any of them, make the Representation intending that the Class Members rely upon it and acquire Imax shares?
 4. Did some or all of Imax's February Press Release, Imax's annual report for fiscal 2005 or its March Press Releases contain a misrepresentation within the meaning of the OSA?
 - (a) Did the defendants Francis T. Joyce and Kathryn A. Gamble or either of them authorize, permit or acquiesce in the release of any or all such documents?
 5. If the answer to (4) is yes, have the defendants (including the proposed defendants), or some of them, established a reasonable investigation or expert reliance defence under the OSA?
 6. Did the traded price of Imax shares during the Class Period incorporate and reflect the Representation?
 7. If the answer to (6) is yes, did the acquisition of Imax shares by the Class Members, on the TSX and NASDAQ, during the Class Period, constitute reliance upon the Representation?
 8. Did Imax or the Individual Defendants, or some of them, conspire one with the other, and with persons unknown to deceive the Class Members for the purpose of maintaining and increasing the price of Imax securities? If so, who conspired with whom, when, where, why and for what purpose?
 9. If Imax or the Individual Defendants, or some of them, are liable to the class for conspiracy, negligent or fraudulent misrepresentation, what is the procedure for assessing damages?
 10. Can the court assess damages in the aggregate, in whole or in part, for the class? If so, what is the amount of the aggregate damage assessment and who should pay it to the class?
 11. Is Imax vicariously liable or otherwise responsible for the acts of the other defendants?
 12. Should one or more of the defendants pay punitive damages to the Class? If so, who, why, in what amount and to whom?
 13. Should the defendants, or any of them, pay the costs of administering and distributing any monetary judgment and/or the cost of determining eligibility

and/or the individual issues? If so, who should pay what costs, in what amount and to what extent?

14. If the court determines that the defendants are liable to the class, and if the court considers that the participation of individual Class Members is required to determine individual issues:
 - (a) are any directions necessary?
 - (b) should any special procedural steps be authorized?
 - (c) should any special rules relating to admission of evidence and means of proof be made?
 - (d) what directions, procedural steps or evidentiary rules ought to be given or authorized?
15. Should the defendants, or any of them, pay prejudgment and post-judgment interest, at what annual interest rate, and should the interest be compounded interest?

7. THIS COURT ORDERS that the plaintiffs' Amended Litigation Plan be and is hereby approved in the form attached as Schedule 1 to this order.

8. THIS COURT ORDERS the notice of certification of the action as a class proceeding, generally in the form attached as Schedule 1 to the Amended Litigation Plan, be and is hereby approved.

9. THIS COURT ORDERS that the Class Members shall be given notice of the certification of this action, on a date to be fixed by further order of this court, generally in accordance with the notice program particularized in paragraph 17 of the Amended Litigation Plan ("the Notice Program").

10. THIS COURT ORDERS that a Class Member may only opt out of this class action by sending a written election to opt out, signed by him or her, addressed to Howie & Partners, Chartered Accountants, by pre-paid mail or courier, at 3063 Walker Road, Windsor, Ontario, Canada, N8W 3R4, Attention: Imax Corporation Class Action; or by

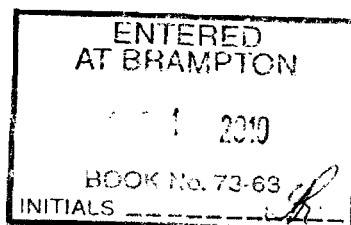
fax to 519.250.1929; or by email to sisaac@howieandpartners.com, which election must be received by Howie & Partners before 5:00 p.m. ET, on a date to be fixed by further order of this court.

11. THIS COURT ORDERS that no person may cause a minor or a mentally incapable Class member to opt out of the Class without the permission of the court after notice to The Children's Lawyer and/or the Public Guardian and Trustee, as the case may be and to the parties.

12. THIS COURT ORDERS that forthwith after expiration of the Opt-out Period:

- (a) the defendants' counsel shall file with the court an affidavit confirming the defendants' compliance with their responsibilities in the Notice Program; and
- (b) plaintiffs' counsel shall file with the court an affidavit confirming their compliance with their responsibilities in the Notice Program; and
- (c) Sarkis Isaac of Howie & Partners shall report to the court and parties by affidavit to advise as to the names and addresses of those persons, if any, who have properly opted out of this class action.

13. THIS COURT ORDERS that it reserves the right to dispose of all issues relating to costs if the parties are unable to agree on costs of this motion.



**PLAINTIFFS' LITIGATION PLAN
IN SILVER et al. v. IMAX CORPORATION et al.
AS OF MARCH 25, 2010**

DEFINED TERMS

1. This Plan replaces the plaintiffs' litigation plan dated February 22, 2007.

2. Capitalized terms that are not defined in this Plan have the meanings as particularized in the most recent statement of claim and, in addition, the following defined terms apply to this Plan:
 - (a) "Administrator" means a person appointed by the court to carry out the functions described in the Plan;
 - (b) "CI Notice" means the notice of the resolution of the common issues;
 - (c) "Claims Deadline" means the date by which each Class Member must file a Claim Form;
 - (d) "Claim Form" means a claim form, the form of which is to be approved by the court, to be completed by the Class Members and submitted to the Administrator in order for the Class Members to participate in the procedure described herein;
 - (e) "Class Counsel" means Sutts, Strosberg LLP and Siskinds LLP;
 - (f) "December 14, 2009 Certification Order" means Justice van Rensburg's December 14, 2009 order certifying the action, subject to the condition that the plaintiffs provide a revised litigation plan, as a class proceeding pursuant to the CPA;
 - (g) "December 14, 2009 Leave Order" means Justice van Rensburg's December 14, 2009 order granting the plaintiffs leave to add the Proposed Defendants as defendants and authorizing the representative plaintiffs to plead the causes of action contained in Part XXIII.1 of the ~~Act~~ *Securities* against Imax, the Individual Defendants and the Proposed Defendants;
 - (h) "December 14, 2009 Rule 21 Order" means Justice van Rensburg's December 14, 2009 order dismissing, in part, the Rule 21 motion of the defendants to strike certain aspects of the draft fresh statement of claim dated December 2008 as disclosing no reasonable cause of action;

KNR

- (i) "Notice" means the notice attached to the Plan as Schedule 1;
- (j) "Notice Program" means the method of distributing the Notice described in paragraph 17 herein;
- (k) "Plan" means this litigation plan;
- (l) "Proposed Defendants" means Neil S. Braun, Kenneth G. Copland, Michael Fuchs, Garth M. Girvan, David W. Leebron, Mark A. Utay and Kathryn A. Gamble.
- (m) "Referee" means a person or persons appointed by the court to carry out the functions described in the Plan;
- (n) "*Securities Act*" means *Securities Act*, R.S.O. 1990, c. S.5; and
- (o) "Website" means the website located at www.imax-classaction.com.

CLASS COUNSEL

3. Class Counsel have the requisite knowledge, skill, experience, personnel and financial resources to prosecute this class action.

THE CLASS DEFINITION

4. On December 14, 2009, Justice van Rensburg certified, subject to the condition that the plaintiffs provide a revised litigation plan, a class described as:

all persons, other than Excluded Persons, who acquired securities of Imax during the Class Period on the TSX and on the NASDAQ and held some or all of those securities at the close of trading on August 9, 2006.

REPORTING TO AND COMMUNICATION WITH THE CLASS MEMBERS

5. Class Counsel will regularly report to the Class Members through the Website.
Information on the status of the action will be posted on the Website and will be updated regularly. Copies of some of the publicly filed court documents, court decisions, notices, documentation and other information relating to the action will be posted on or accessible from the Website. This will allow the Class Members, wherever they reside, to be kept informed of the status of the action.

6. The Website will also:
 - (a) contain a communication webpage, a feature that will permit Class Members to submit inquiries to Class Counsel which will be sent directly to a designated member of Class Counsel who will respond;
 - (b) list a voice over internet protocol toll-free telephone number for Class Counsel which will contain a recorded message providing information regarding the status of the litigation which will be updated as required; and
 - (c) list the direct-dial telephone number for a designated person with Class Counsel, permitting Class Members to make inquiries to a live person.

DOCUMENT MANAGEMENT

7. Class Counsel will use data management systems to organize, code and manage the documents that will be produced by the defendants.

LITIGATION SCHEDULE

8. Justice van Rensburg certified the action as a class proceeding and granted leave to plead the causes of action in the *Securities Act*.
9. The defendants have sought leave to appeal the December 14, 2009 Certification Order and the December 14, 2009 Rule 21 Order.
10. The defendants have appealed the December 14, 2009 Leave Order to the Court of Appeal for Ontario. The plaintiffs assert that the December 14, 2009 Leave Order is interlocutory and the defendants are required to seek and obtain leave to appeal. Therefore, the plaintiffs have brought a motion to quash the defendants' appeal. If that motion succeeds, the defendants will also seek leave to appeal the December 14, 2009 Leave Order.
11. Assuming the defendants are not successful on their appeals, absent agreement among counsel, the plaintiffs will ask the court to set a schedule for the remaining steps in the action.
12. The plaintiffs will likely request that the litigation schedule be amended from time to time.

THE PLAINTIFFS' EXPERTS

13. The plaintiffs have retained:
 - (a) L. I. Rosen, an accountant, on the issue of whether Imax's financial statements were prepared in accordance with GAAP; and
 - (b) Robert Comment, an economist, on the issue of whether the markets for Imax securities during the Class Period were efficient and the calculation of damages.

14. Class Counsel may retain other experts as the action proceeds.

MEDIATION

15. The plaintiffs will participate in mediation if the defendants are prepared to do so.

NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE

16. The plaintiffs will not ask the court to authorize the dissemination of the Notice until the appeal process is finally determined.

17. The plaintiffs propose that the Notice be distributed and published in the following manner (the "Notice Program"):
 - (a) posted by Class Counsel, in English and in French, on the Website;
 - (b) provided by Class Counsel to any person who requests it;
 - (c) published once in the following publications:

- (i) the national edition of *The Globe and Mail*, Report on Business section, in English, in one quarter page size;
 - (ii) the national edition of the *National Post*, Financial Post section, in English, in one quarter page size;
 - (iii) published once in *La Presse*, in French, in one quarter page size;
 - (iv) the *Wall Street Journal*, in English, in one eighth page size;
- (d) available orally by recorded message at Class Counsel's voice over internet protocol toll-free telephone line;
 - (e) sent electronically, in English and in French, by Class Counsel to the broker / dealers in Canada identified in Schedule 2 asking them to bring the Notice to the attention of their clients who purchased Imax securities during the Class Period;
 - (f) sent electronically by Class Counsel to the broker / dealers in the U.S. identified in Schedule 3 asking them to bring the Notice to the attention of their clients who purchased Imax securities during the Class Period;
 - (g) disseminated by Class Counsel in Canada through NewsWire and in the U.S. through Globe NewsWire; and
 - (h) posted by Imax in a prominent location on its website at www.imax.com.
18. Because Imax's publicly released documents were available only in English and French, all notices and forms described in this Plan shall be disseminated only in English and French.
19. The plaintiffs propose that Sarkis Isaac, an accountant practicing in Windsor, receive the opt-out notices and report to the court the names and addresses of the persons who opt

out by the date fixed by the court. Mr. Isaac has previously been appointed by the court to fulfill these tasks.

20. The plaintiffs and defendants should each pay 50 percent of the costs of the Notice Program and the costs of Mr. Isaac. The successful parties at the trial of the common issues may seek to recover their share of these costs from the unsuccessful parties by order of the trial judge.

THE CLAIMS OF CLASS MEMBERS WHO RESIDE OUTSIDE OF ONTARIO

- KMUR* 21. The Class includes persons who reside outside of Ontario. Therefore, the defendants may raise, in their statement of defence, issues concerning conflict of laws. The ~~plaintiffs~~ ^{plaintiffs} assert that the laws of the Province of Ontario apply to the claims of each Class Member wherever resident. Depending on whether the defendants dispute this assertion, the plaintiffs may seek an order amending the certification order to include a common issue on whether Ontario law applies to all Class Members and, if not, what law applies.

TRIAL OF THE COMMON ISSUES

- KMUR* 22. After the completion of the examinations for discovery, the production of documents required by the undertakings and by any orders with respect to refusals or advisements, the parties will determine whether the common issues require any amendments. The plaintiffs will then ask the court to schedule the trial of the common ^{issues} within one (1) year.

23. The following paragraphs assume that the Class is successful at the trial of the common issues.

INDIVIDUAL CLASS MEMBER PARTICIPATION AFTER THE TRIAL OF THE COMMON ISSUES

24. Assuming that the common issues, or some of them, are resolved in favour of the plaintiffs, it will be necessary for the court to supervise a claims procedure. The structure and content of the Claim Form will depend upon the findings of the judge at the common issues trial.

25. The plaintiffs will ask the court to:

- (a) settle the form and content of the CI Notice;
- (b) order that the CI Notice be distributed substantially in accordance with the procedure set out in paragraph 17;
- (c) determine the information and documentation required to be submitted with the Claim Form;
- (d) set the Claims Deadline;
- (e) appoint the Administrator;
- (f) appoint the Referee(s); and
- (g) appoint a representative from Class Counsel to oversee and assist in the procedures contemplated herein.

26. The Administrator will have such rights, powers and duties as the court directs. The Administrator will receive the Claim Form and determine eligibility in accordance with this Plan and the protocols approved by the court pursuant to section 25 of the CPA.

27. The Referee will have such rights, powers and duties as set out in this Plan and as the court directs.
28. In order to simplify the claims process, the Administrator will, wherever practical, utilize:
 - (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the Website ("Database");
 - (b) standardized claims forms and filing procedures; and
 - (c) summary methods of introducing documentary evidence.
29. Any person who does not file a completed Claim Form with the Administrator before the Claims Deadline will not be eligible to participate in the process and will not be entitled to recover any damages without leave of the court.
30. In order to file a claim, a person must, on or before the Claims Deadline:
 - (a) register on the Database, or by mail or by fax, with the Administrator;
 - (b) complete the Claim Form;
 - (c) submit proof of all purchases of Imax shares during the Class Period and proof of sale of all Imax shares; and
 - (d) submit such other documentation to the Administrator as required by the court in support of the claim.
31. The name, address and amount claimed by each person who files a claim with the Administrator on or before the Claims Deadline shall be added to the Database. Each claimant will be provided with an identification name and a password by the

Administrator to permit the person access to her/his/its claims information in the Database.

32. Because this is a securities class action, the information about the trading of each Class Member is readily ascertainable. Each claimant will be required to provide, with the completed Claim Form, full particulars of each trade in Imax securities during the Class Period and each sale of Imax securities whenever the sale occurred.
33. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Imax securities, evidence confirming Imax securities continued to be held on August 9, 2006 and, if applicable, evidence confirming disposition of the Imax securities.
34. The Claim Form must be signed by each claimant as if under oath and will be treated as evidence pursuant to s. 25(2) and (3) of the *CPA*. The Claim Form will contain an authorization to permit the Administrator to obtain information from each claimant's broker(s). This will permit the Administrator to carry out an audit function.

THE CLAIMS PROCESS

35. The structure of the claims process will depend upon the findings of the common issues trial judge. For example, if at trial the plaintiffs are successful on the statutory causes of action, their claim for aggregate damages or the unlawful agreement component of a

common law conspiracy, the plaintiffs will argue that the court, and this Plan, need only deal with the individual issue of damages.

THE CLAIMS PROCEDURE TO DETERMINE ELIGIBILITY AND THE AMOUNT OF THE LOSS IF A CLASS MEMBER NEED NOT INDIVIDUALLY PROVE RELIANCE ON THE REPRESENTATION

36. If the results in paragraph 35 are achieved at trial, the plaintiffs will seek an order pursuant to s.25(2) and (3) of the CPA that the completed and timely submitted Claim Form, with supporting documents, be treated as *prima facie* evidence of each claimant's eligibility and damages if accepted by the Administrator.

37. The court will be asked to establish a summary process to deal with any issues the defendants raise. The plaintiffs will propose that this process be conducted in writing, as follows:
 - (a) the Administrator will provide to all parties a formal summary of the Claims Form listed in the Database which it proposes to accept and the amount to be awarded;
 - (b) the defendants will be given an opportunity to advise the Administrator, in writing, whether they dispute the claim in each Claim Form and the basis for their dispute;
 - (c) the claimant will be entitled to respond in writing;
 - (d) the Administrator will then settle all disputes in a summary manner and advise the claimant and the defendants of the decision; and
 - (e) if any claimant or the defendants disagree with the Administrator's decision, she/he/it may elect to have the Administrator's decision reviewed by the Referee.

38. The Referee will carry out the review of the Administrator's decision in the least expensive, most summary manner possible in accordance with a protocol to be approved by the court and shall give all necessary procedural directions.
39. The Referee will deliver a written decision. There shall be no right of appeal from the Referee's decision.
40. The Referee, in his or her discretion, may order the defendants to pay the claimants' costs of the references. A claimant seeking the review of a decision of the Administrator shall be required to make a deposit of \$150, which shall be refunded only in the event that the appeal is determined in the claimant's favour. There shall be no costs payable by the claimant under any circumstances, other than the \$150 deposit referred to herein.

THE CLAIMS PROCEDURE TO DETERMINE ELIGIBILITY AND DAMAGES IF A CLASS MEMBER MUST PROVE RELIANCE ON THE REPRESENTATION

41. In the event that it is necessary for claimants to prove reliance on an individual basis, the Claim Form will require claimants to particularize the facts on which they rely and the evidence which supports the assertion that they relied upon the Representation. The Claim Form and supporting documents will be treated as an affidavit and the defendants may elect to challenge that assertion.
42. The Administrator will evaluate the Claim Form and decide whether the claimant is eligible to participate in the claims process. The Administrator will also determine the amount of the claimant's damages.

43. If a claimant or the defendants disagree with the Administrator's decision only relating to eligibility and not the Administrator's decision on the claimant's loss, she/he/it may elect to have the Administrator's decision relating only to eligibility reviewed by the Referee.
44. If an election has been made to have the Administrator's decision on eligibility reviewed, the Referee will carry out the review in the manner set out in paragraphs 38 to 40.
45. If the claimant and/or the defendants disagree with the Administrator's decision relating to the claimant's damages and, if applicable, eligibility, she/he/it may elect to have a reference before the Referee.
46. The reference shall be held in the least expensive, most efficient manner. The procedure at the reference will be established by the Referee subject to the following paragraphs.
47. The Claim Form and the supporting documents shall be treated as the claimant's evidence tendered by affidavit and the claimant's affidavit of documents.
48. If the election for reference and accompanying documents are delivered by the claimant, they shall be treated as if they were further evidence tendered by the claimant by affidavit and the claimant's supplementary affidavit of documents.
49. If the election for reference and the accompanying documents are delivered by the defendants, they shall be treated as if they were the ^{defendants'} defendant's evidence tendered by affidavit and the ^{defendants'} defendant's affidavit of documents.

12/11/12

50. If any party wishes to adduce further evidence, the evidence shall be filed by affidavit within 15 days of the delivery/receipt of the election for reference.
51. If the claim is for less than \$100,000, there shall be no right to conduct examinations for discovery or cross examinations (by analogy to rule 76 of the *Rules of Civil Procedure*). A defendant may cross examine an affiant on her/his/its affidavit only by written interrogatories (by analogy to the *Rules of Civil Procedure*) should s/he/it wish to challenge the evidence. The Referee will then make a decision on the basis of the affidavit and the answers to the written interrogatories. The Referee's decision is final. There shall be no right of appeal therefrom.
52. If the claim is for more than \$100,000, the parties may conduct examinations for discovery in accordance with rule 34 of the *Rules of Civil Procedure* and / or conduct examinations in writing in accordance with rule 35 *Rules of Civil Procedure* as the party wishing to examine may elect.
53. The Referee will deliver a written decision. The Referee's decision with respect to Eligibility is final. There shall be no right of appeal from the Referee's decision.
54. The Referee, in his or her discretion, may order the defendants to pay the claimants' costs of the references. A claimant seeking the review of a decision of the Administrator shall be required to make a deposit of \$150, which shall be refunded only in the event that the appeal is determined in the claimant's favour. There shall be no costs payable by the claimant under any circumstances, other than the \$150 deposit referred to herein.

55. The Referee's decision with respect to a Class Member's damages will automatically be confirmed 15 days after its delivery to the parties unless a party moves by notice of motion to the court to oppose its confirmation within the 15 day period.

THE REPORTS FROM THE ADMINISTRATOR TO THE COURT

56. The Administrator shall deliver reports to the court as required. The subject matter of the reports will depend on the findings of the common issues trial judge.
57. Copies of the Administrator's reports shall be served on the defendants and the Class Counsel representative. The Administrator shall also report on a regular basis on the accumulating cost of administration.
58. After the claims procedure is completed, the court will decide the amount the defendants must pay to the Administrator in the event of any dispute and grant judgment in that amount.
59. The Administrator shall hold all amounts received from the defendants in trust, in a manner to be approved by the court, until an order of the court authorizes distribution in whole or in part.

DISTRIBUTION TO ELIGIBLE CLASS MEMBERS

60. As soon as practicable after the completion of the claims procedure, the Administrator will, by motion, report to the court the name and address of each Class Member entitled to receive a distribution, the amount of their share of the monies on hand, including their share of prejudgment interest and punitive damages, if any (the "Distribution List").
61. The Distribution List shall be distributed and/or made accessible in accordance with the court's direction.
62. Each Class Member whose name appears on the Distribution List shall comply with any condition precedent to distribution that the court may impose.
63. The court will authorize payments to those Class Members whose names are on the Distribution List. The court may authorize interim distributions.
64. If at the end of the distribution process there remain monies in the hands of the Administrator that have not been claimed, the court may order that this money be distributed cy près to organizations for the benefit of the Class Members.

ADMINISTRATOR'S FINAL REPORT TO COURT

65. After the Administrator completes the administration, it shall report to the court and be discharged as the Administrator.

MOTION FOR DIRECTIONS

66. Class Counsel, the defendants and the Administrator may apply at any time to the court for directions.

ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION

67. After the trial of the common issues, the plaintiffs will ask the court to approve an agreement respecting fees and disbursements between them and Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and applicable taxes are not completely paid by the costs recovered from the defendants, the plaintiffs will ask the court to order that the unpaid balance be a first charge on the recovery.

KMR

68. If the court awards damages in the aggregate, Class Counsel will ask the court to ^{order} ~~pay~~ ^{payment of} their fees, disbursements and applicable taxes out of the aggregate amount.

KMR

69. If the court does not award damages in the aggregate and requires the Class Members to prove their damages through individual assessments, Class Counsel will ask the court to ^{order} ~~pay~~ ^{payment of} their fees, disbursements and applicable taxes out of the awards made at individual assessments.

70. The plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of the process described herein and the fees and disbursements of the Administrator and Referee as these costs are incurred. Absent that court order, the

plaintiffs will seek an order that these costs be paid out of the recovery after payment of Class Counsel's fees and disbursements but before any distribution to the Class Members.

FURTHER ORDERS CONCERNING THIS PLAN

71. This Plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

EFFECT OF THIS PLAN

72. This Plan shall be binding on all Class Members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the Plan.

SCHEDULE 1 - NOTICE

**Authorized by the Ontario Superior Court of Justice
—NOTICE OF CERTIFICATION OF THE IMAX CORPORATION CLASS ACTION—
Read this notice carefully as it may affect your legal rights.**

THE CLASS ACTION

This notice is directed to all persons, other than certain persons associated with the defendants, who acquired securities of Imax Corporation ("Imax") in the period from and including the opening of trading on the Toronto Stock Exchange and the NASDAQ on February 17, 2006 to and including the close of trading on the Toronto Stock Exchange and NASDAQ on August 9, 2006 and who held some or all of those securities at the close of trading on August 9, 2006 (the "Class Members").

THE CERTIFICATION ORDER

On December 14, 2009, Justice van Rensburg of the Ontario Superior Court of Justice certified the action Silver et al. v. Imax Corporation et al., court file no. CV-06-3257-00 as a class proceeding and appointed Marvin Neil Silver and Cliff Cohen as the representative plaintiffs.

Certification means that the action may proceed to trial as a class action involving, among other things, claims for damages for misrepresentation and conspiracy relating to Imax's fiscal 2005 financial results.

Certification is a preliminary procedural matter and does not involve any finding by the court that the claims for damages, or the allegations of fact and law on which they are based, have any validity. The defendants deny that the claims have merit.

LEGAL FEES

The representative plaintiffs have entered into an agreement regarding legal fees, out of pocket expenses and applicable taxes with their lawyers. The agreement, which requires court approval, provides that:

- (a) the lawyers will not receive payment for their work unless and until the class action is successful or costs are received from the defendants; and
- (b) the lawyers will be paid 25 percent of the amount recovered as a result of settlement or judgment, plus out of pocket expenses and applicable taxes.

Class Members will not be required to pay any costs in the event that the class action is unsuccessful.

THE CLASS PROCEEDINGS FUND

The plaintiffs may seek financial support from the Class Proceedings Fund ("CPF"). If they are awarded financial support and if the class action is successful, the Class will also pay to the CPF a 10% levy of any award or settlement plus the amount of any financial support paid by the CPF.

DO NOTHING IF YOU WANT TO PARTICIPATE IN THE CLASS ACTION

Class Members who want to participate in the class action are automatically included and need not do anything at this time.

YOU MUST OPT OUT IF YOU DO NOT WANT TO PARTICIPATE IN THE CLASS ACTION

Class Members who do not want to participate in the class action must opt out. **If you want to opt out of the class action, you must send a written, signed election, including your name, address, telephone number to: Howie & Partners, Chartered Accountants, 3063 Walker Road, Windsor, Ontario, Canada, N8W 3R4, Attention: Imax Class Action or fax to 519.250.1929 or by email to sisaac@howieandpartners.com.**

No Class Member will be permitted to opt out of the class action unless the election to opt out is received by Howie & Partners on or before 5:00 p.m. E.T..

Each Class Member who does not opt out of the class action will be bound by the terms of any judgment or settlement whether favourable or not and will not be allowed to prosecute an independent action. If the class action is successful, he or she or it may be entitled to share in the amount of any award or settlement recovered. In order to determine if persons are entitled to share in the award or settlement and the amount, if any, of their share, it may be necessary to conduct individual assessments. There may be costs payable by you if it is determined that you are not entitled to share in the award or settlement.

No person may cause a minor or a mentally incapable member of the Class to opt out without permission of the court after notice to The Children's Lawyer and/or the Public Guardian and Trustee, as appropriate.

A Class Member who opts out will not be entitled to participate in the class action, or to receive any portion of any judgment or settlement.

ADDITIONAL INFORMATION

This Notice was approved by the Ontario Superior Court of Justice. The court offices will be unable to answer any questions about the matters in this Notice. The certification order and other information are available on the Imax class action web site at www.imax-classaction.com. Questions for class counsel should be directed by email or telephone to:

Jay Strosberg	Tel: 1.888.460.0824 (toll free)
Suits, Strosberg LLP	Fax: 1.866.316.5308 (toll free)
600-251 Goyeau Street	
Windsor, ON N9A 6V4	
email: imax@strosbergco.com	

Michael G. Robb	Tel: 1.800.461.6166 (toll free)
Siskinds LLP	Fax: 1.519.672.6065
680 Waterloo Street	
London, ON N6A 3V4	
email: michael.robb@siskinds.com	

SCHEDULE 1**SCHEDULE 2 – LIST OF CANADIAN BROKER DEALERS**

- Assante Corp
- BMO Nesbitt Burns
- Canaccord Capital
- CIBC Wood Gundy
- Desjardins Securities
- Dundee Wealth Management Inc.
- E*Trade Canada
- Edward Jones
- HSBC InvestDirect
- Investors Group Inc.
- National Bank Financial
- RBC Dominion Securities Inc.
- Raymond James Ltd.
- Scotia McLeod
- TD Waterhouse

SCHEDULE 3 - LIST OF U.S. BROKER DEALERS

- Ameritrade
- Charles Schwab
- Deutsche Bank
- Edward Jones
- E*Trade
- Fidelity Investments
- Goldman Sachs
- Merrill Lynch
- Morgan Stanley
- Scottrade
- Smith Barney
- Tradeking
- FolioFN
- Sharebuilder
- UBS AG
- Zecco.com

321

**ONTARIO
SUPERIOR COURT OF JUSTICE**

PROCEEDINGS COMMENCED AT BRAMPTON

**ORDER
(CERTIFICATION)**

SUTTS, STROSBURG LLP

Lawyers
600 - 251 Goyeau Street
Windsor ON N9A 6V4

WILLIAM V. SASSO

LSUC#: 12134L

JAY STROSBURG

LSUC#: 47288F

Tel: (519) 561.6285

Fax: (519) 561.6203

SISKINDS LLP

Lawyers
680 Waterloo Street
P.O. Box 2520
London ON N6A 3V8

A. DIMITRI LASCARIS

LSUC # 50074A

MICHAEL G. ROBB

LSUC # 45787G

Tel: (519) 672-2121

Fax: (519) 672-6065

LAWYERS FOR THE PLAINTIFFS

FILE: 48-093-000

REF: HTS/lg

This is Exhibit "E-2" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.

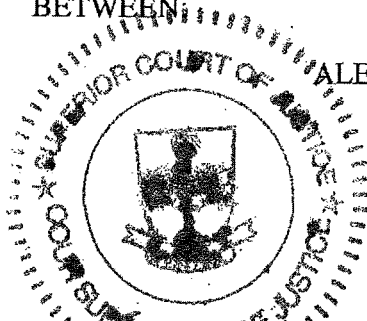


A Commissioner, etc.

**ONTARIO
SUPERIOR COURT OF JUSTICE**

THE HONOURABLE) Tuesday, the 1st day
)
JUSTICE TAUSENDFREUND) of March, 2011

BETWEEN:



ALEXANDER DOBBIE and MICHAEL BENSON

Plaintiffs

- and -

ARCTIC GLACIER INCOME FUND, ARCTIC GLACIER INC., RICHARD L. JOHNSON, KEITH W. MCMAHON, DOUGLAS A. BAILEY, FRANK LARSON, GARY COOLEY and, in their personal capacity and as Trustees of Arctic Glacier Income Fund, JAMES E. CLARK, ROBERT J. NAGY, GARY A. FILMON and DAVID R. SWAINE

Defendants

Proceeding under the Class Proceedings Act, 1992

ORDER

THIS MOTION made by the Plaintiffs, for an order certifying the action as a class proceeding, was argued during the hearing of October 4, 5, 6, 7 and 8, 2010 in London, Ontario.

ON READING the materials filed and on hearing the submissions of counsel for the Plaintiffs, for the Defendants, and for the Proposed Defendants Larson and Cooley, and for Reasons for Judgment released this day:

1. **THIS COURT ORDERS** that, for the purposes of this Order, the following definitions apply:

- i. "Arctic" means Arctic Glacier Inc.;
 - ii. "Class Period" means the period from March 13, 2002 to September 16, 2008;
 - iii. "Defendants" means the Income Fund, Arctic and the Individual Defendants (as defined below);
 - iv. "Excluded Persons" means the Defendants and Larson and Cooley, members of the immediate families of the Individual Defendants and Larson and Cooley, any officers, directors or employees of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic, any entity in respect of which any such person has a legal or *de facto* controlling interest, and any legal representatives, heirs, successors or assigns of any such person or entity;
 - v. "Income Fund" means Arctic Glacier Income Fund;
 - vi. "Individual Defendants" means the Defendants, Richard L. Johnson, Keith W. McMahon, Douglas A. Bailey, and, in their personal capacities and as trustees of the Income Fund, James E. Clark, Robert J. Nagy, Gary A. Filmon and David R. Swaine;
 - vii. the "OSA Order" means the Order issued on the concurrent motion of the Plaintiffs for leave to commence an action against the Defendants and Frank Larson and Gary Cooley under Part XXIII.1 of the *Securities Act*;
 - viii. the "Rule 21 Order" means the Order issued on the concurrent motion of the Defendants to strike portions of the Plaintiffs' pleading in this matter;
 - ix. "Securities Act" means the *Securities Act*, R.S.O. 1990, c. S.5;
 - x. "Trustees" means the Defendants Clark, Nagy, Filmon and Swaine, collectively.
2. **THIS COURT ORDERS** that the proceeding, as amended by the Rule 21 and *OSA* Orders, is hereby certified as a class proceeding pursuant to s. 5 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.
 3. **THIS COURT ORDERS** that the Class be defined as:

All persons and entities, wherever they may reside or be domiciled, other than Excluded Persons, who acquired Units of the Income Fund during the period from March 13, 2002 to September 16, 2008.

4. **THIS COURT ORDERS** that the Plaintiffs Alexander Dobbie and Michael Benson are appointed as the representative plaintiffs for the Class.

5. **THIS COURT DECLARES** that the causes of action asserted on behalf of the Class are:
 - i. On behalf of the members of the Class ("Class Members") who purchased Units of the Income Fund during a period of distribution or distribution to the public pursuant to the Income Fund's prospectuses dated May 17, 2006 and January 25, 2007, statutory claims for misrepresentation in a prospectus pursuant to s.130 of the *Securities Act* and the analogous provisions of the securities legislation of each other Canadian jurisdiction;

 - ii. On behalf of Class Members who purchased Units of the Income Fund pursuant to any prospectus issued by the Income Fund during the Class Period, negligence *simpliciter*;

 - iii. On behalf of Class Members who acquired Units of the Income Fund in the secondary market, statutory claims for misrepresentation in secondary market disclosure documents pursuant to s.138.3 of the *Securities Act* and the analogous provisions of the securities legislation of each other Canadian jurisdiction;

 - iv. On behalf of all Class Members, negligent misrepresentation; and

 - v. On behalf of all Class Members, breach of trust.

6. **THIS COURT DECLARES** that the common issues are:

[1] Did some or all of the following disclosure documents of the Income Fund contain a misrepresentation?

- (i) Prospectus dated March 13, 2002
- (ii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2002
- (iii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2002
- (iv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2002
- (v) Annual Report, for the year ended December 31, 2002
- (vi) Management's Discussion and Analysis, for the year ended December 31, 2002
- (vii) Audited Annual Financial Statements, for the year ended December 31, 2002
- (viii) Amended Annual Report, for the year ended December 31, 2002
- (ix) Renewal Information Form, for the year ended December 31, 2002
- (x) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2003
- (xi) Prospectus dated June 17, 2003
- (xii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2003
- (xiii) Prospectus dated September 29, 2003
- (xiv) Prospectus dated October 8, 2003
- (xv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2003
- (xvi) Management's Discussion and Analysis, for the year ended December 31, 2003
- (xvii) Audited Annual Financial Statements, for the year ended December 31, 2003
- (xviii) Annual Information Form, for the year ended December 31, 2003
- (xix) Annual Report, for the year ended December 31, 2003
- (xx) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2004
- (xxi) Management's Discussion and Analysis and Interim Financial Statements, for

- the period ended June 30, 2004
- (xxii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2004
 - (xxiii) Annual Information Form, for the year ended December 31, 2004
 - (xxiv) Annual Report, for the year ended December 31, 2004
 - (xxv) Management's Discussion and Analysis, for the year ended December 31, 2004
 - (xxvi) Audited Annual Financial Statements, for the year ended December 31, 2004
 - (xxvii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2005
 - (xxviii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2005
 - (xxix) Prospectus dated September 13, 2005
 - (xxx) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2005
 - (xxxi) Annual Information Form, for the year ended December 31, 2005
 - (xxxii) Annual Report, for the year ended December 31, 2005
 - (xxxiii) Management's Discussion and Analysis, for the year ended December 31, 2005
 - (xxxiv) Audited Annual Financial Statements, for the year ended December 31, 2005
 - (xxxv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2006
 - (xxxvi) Prospectus dated May 17, 2006
 - (xxxvii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2006
 - (xxxviii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2006
 - (xxxix) Prospectus dated January 25, 2007
 - (xl) Annual Information Form, for the year ended December 31, 2006
 - (xli) Annual Report, for the year ended December 31, 2006
 - (xlii) Management's Discussion and Analysis, for the year ended December 31, 2006

- (xliii) Audited Annual Financial Statements, for the year ended December 31, 2006
- (xliv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2007
- (xlv) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2007
- (xlvi) Management's Discussion and Analysis and Interim Financial Statements, for the period ended September 30, 2007
- (xlvii) Press Release, dated March 6, 2008
- (xlviii) Press Release, dated March 9, 2008
- (xlix) Annual Information Form, for the year ended December 31, 2007
 - (l) Amended Annual Report, for the year ended December 31, 2007
 - (li) Management's Discussion and Analysis, for the year ended December 31, 2007
 - (lii) Audited Annual Financial Statements, for the year ended December 31, 2007
 - (liii) Management's Discussion and Analysis and Interim Financial Statements, for the period ended March 31, 2008
 - (liv) Press Release, dated August 7, 2008
 - (lv) Material Change Report, dated August 12, 2008
 - (lvi) Management's Discussion and Analysis and Interim Financial Statements, for the period ended June 30, 2008

[2] If the answer to [1] is yes, are any of the Defendants, Larson or Cooley liable to any Class Members pursuant to Section 138.3 of the *Securities Act* or the analogous provisions of the securities legislation of the other Canadian jurisdictions?

[3] If the answer to [2] is yes, what damages are payable by each such Defendant, Larson, or Cooley in respect of that liability?

[4] If the answer to [1] regarding the prospectuses of May 17, 2006 and/or of January 25, 2007 is yes, are any of the Defendants liable to any Class Members pursuant to s.130 of the *Securities Act* or the analogous provisions of the securities legislation of the other Canadian jurisdictions?

[5] If the answer to [4] is yes, what damages are payable by each such Defendant in respect of that liability?

[6] Did any of the Defendants (other than the Income Fund) owe any Class Members a duty of care? If so, which such Defendants owed what duty and to whom?

[7] If the answer to [6] is yes, did any such Defendants breach their duty of care? If so, which such Defendants breached their duty and how?

[8] If the answer to [7] is yes, did the breach of that duty of care cause damage to those Class Members? If so, what is the appropriate measure of that damage?

[9] In respect of the Class Members' negligent misrepresentation claim, what is the procedure whereby Class Members must demonstrate their individual reliance upon those Defendants' misrepresentations (if so found)?

[10] Did any Trustees commit a breach of trust?

[11] If so, what damages are payable by those Trustees to the Class Members in respect of their breach of trust?

[12] Is the Income Fund vicariously liable or otherwise responsible for the acts of the other Defendants, Larson or Cooley?

[13] Is Arctic Glacier Inc. vicariously liable or otherwise responsible for the acts of the other Defendants, Larson, or Cooley?

[14] Should any Defendants (other than the Income Trust) pay punitive damages to Class Members? If so, who, in what amount, and to whom?

[15] Should the Defendants pay the cost of administering and distributing the recovery? If so, which Defendants should pay, and how much?

7. **THIS COURT ORDERS** that the Plaintiffs' Litigation Plan is approved in the form attached hereto as Schedule A.
8. **THIS COURT ORDERS** that Class Members may only opt-out of the Class in accordance with the directions and prior to the date specified in the notice of certification to be approved by this Court
9. **THIS COURT ORDERS** that no other proceeding relating to the subject matter of this action may be commenced without leave of the Honourable Justice Tausendfreund obtained on notice to the parties hereto.
10. **THIS COURT ORDERS** that costs be awarded to the Plaintiffs for this motion, on consent, in the amounts of \$12,500 payable by Larson, \$12,500 payable by Cooley, and

\$75,000 payable by the other Defendants jointly and severally, each sum inclusive of all fees, disbursements and interest, and payable within 30 days of the date of this Order.



THE HONOURABLE JUSTICE TAUSENDFREUND

ORDER ENTERED
77-72
SEP 13 2011

SCHEDULE "A"

PLAINTIFFS' LITIGATION PLAN**UPDATED AS OF MARCH 1, 2011****DEFINED TERMS**

1. This Litigation Plan supercedes the Plaintiffs' Litigation Plan dated June 1, 2009. It is subject to further direction of the court and input of the defendants.
2. Capitalized terms that are not defined in this litigation plan ("Plan") have the meanings as particularized in the statement of claim.

CLASS COUNSEL

3. The Plaintiffs have retained Siskinds LLP ("Class Counsel") to prosecute this class action. Class Counsel has the requisite knowledge, skill, experience, and resources to prosecute the action to resolution.

THE COMPOSITION OF THE CLASS

4. The Plaintiffs seek to represent the Class, consisting of:

all persons and entities, wherever they may reside or be domiciled, other than Excluded Persons, who acquired Units of Arctic Glacier during the period of March 13, 2002 to September 16, 2008.

5. "Excluded Persons" means:

the Defendants and Larson and Cooley, members of the immediate families of the Individual Defendants and Larson and Cooley, any officers, directors or employees of the Income Fund or Arctic or any subsidiary of the Income Fund or Arctic, any entity in respect of which any such person has a legal or *de facto* controlling interest, and any legal representatives, heirs, successors or assigns of any such person or entity.

REPORTING AND COMMUNICATION

6. Class Counsel has posted information about the nature and status of this action on their website at <http://www.classaction.ca/content/actions/arctic.asp> (the "Website"). That information will be updated regularly. Copies of important, publicly available court

documents, court decisions, notices, documentation and other information relating to the action are or will be accessible from the Website.

7. The Website also:

- (a) contains a communication webpage, a feature that permits putative Class Members to submit inquiries to Class Counsel which are sent directly to a designated member of Class Counsel team, who will promptly respond;
- (b) lists a toll-free telephone direct dial number for a designated person with Class Counsel, permitting putative Class Members to make inquiries to a live person.

DOCUMENT MANAGEMENT

8. Class Counsel will use data management systems to organize, code and manage the documents produced by the defendants and all relevant documents in the Plaintiffs' possession. The agreement of Defendants' counsel will be sought to facilitate electronic exchange of documents.

LITIGATION SCHEDULE

9. The Plaintiffs will seek agreement on a litigation schedule going forward. In the alternative, the Plaintiffs will ask the Court, acting in its case management capacity, to fix such a schedule.

NOTICE PURSUANT TO SECTION 138.9 OF THE OSA

10. Pursuant to s. 138.9 of the *OSA*, the Plaintiff will:

- (a) promptly issue a news release disclosing that leave has been granted to commence an action under Part XXIII.1;
- (b) send a written notice to the OSC within seven days, together with a copy of the news release; and

- (c) send a copy of the Proposed Claim, as filed, to the OSC.
11. Prior to the issuance of that notice, the Plaintiff will bring a motion for an order approving the form, content and manner of distribution of the s. 138.9 notice, and requiring the defendants to pay the costs thereof. In the event that the Court does not order the Defendants to pay those costs, then the Plaintiff will issue that notice at its own expense, reserving its right to seek recovery of these costs from the Defendants by order of the judge presiding at the trial of the common issues.

NOTICE OF CERTIFICATION OF THE ACTION AS A CLASS PROCEEDING AND THE OPT-OUT PROCEDURE

12. The Plaintiffs propose that a notice advising of the certification be circulated to advise Class Members, among other things, that:
- (a) the court certified the action as a class proceeding;
 - (b) a person may only opt out of the class proceeding by sending a written election to opt out to the recipient designated by the court before a date fixed by the court;
 - (c) a person may not opt out of the class proceeding after the date fixed by the court;
and
 - (d) if the common issues are resolved in favour of the Class Members, claimants may be required to register, file a claim and submit documentation to a designated person in order to be entitled to any compensation.
13. The Plaintiffs propose that the notice advising of certification, in a form approved by the court, be distributed and published in the following manner:
- (a) posted by Class Counsel on the Website;

- (b) provided by Class Counsel to any person who requests it.
 - (c) published once in the national edition of *The Globe and Mail*, Report on Business section;
 - (d) published once in the national edition of the *National Post*, Financial Post section;
 - (e) made available orally by recorded message at Class Counsel's toll-free line;
 - (f) sent electronically by Class Counsel to the list of brokers in Canada attached as Schedule 1 asking them to bring the Notice to the attention of their clients who acquired Arctic Glacier Units during the Class Period, and offering to reimburse the actual cost of doing so up to an amount per Class Member to be fixed by the Court, provided that the notice is mailed or emailed within 30 days of the request having been made;
 - (g) placed online at the websites listed on Schedule 2; and
 - (j) posted by Arctic Glacier in a prominent location on its website at www.arcticglacierinc.com.
14. The plaintiffs and defendants shall each pay 50 percent of the costs of the Notice Program. The successful parties at the trial of the common issues may seek to recover their share of these costs from the unsuccessful parties by order of the trial judge.

THE PLAINTIFFS' EXPERTS

15. To date, the Plaintiffs have retained Forensic Economics Inc., a firm of economists and damages experts to provide assistance on the efficiency of the market for trading in the Income Fund's units during the Class Period, as well as damages calculations.

16. Class Counsel has the expertise and resources to identify and retain appropriate expert assistance as the matter proceeds.

THE CLAIMS OF CLASS MEMBERS WHO RESIDE OUTSIDE OF ONTARIO

17. The Class may include persons who reside outside of Ontario. Therefore, the defendants may assert defences concerning conflicts of laws. The Plaintiffs assert that the laws of the Province of Ontario apply to the claims of each Class Member wherever resident. If the defendants dispute this assertion, the plaintiffs may seek an order amending the certification order to include a common issue determining whether Ontario law applies to the claims of all Class Members, and if not what factors are determinative in deciding which forum's law applies.

REFINEMENT OF COMMON ISSUES

18. Following the filing of statements of defence and the completion of discovery, the parties may seek an amendment of the order certifying this proceeding to deal with any necessary refinement to the common issues arising from those processes.

TRIAL OF THE COMMON ISSUES

19. The Plaintiffs will ask the court to hold the trial of the common issues six (6) months after the completion of the examinations for discovery and the production of the information required by the undertakings and any motions.

NOTICE OF THE RESOLUTION OF THE COMMON ISSUES

20. If the common issues, or some of them, are resolved in favour of the Plaintiffs, the court will be asked to:
 - (a) settle the form and content of the notice of resolution of the common issues;

- (b) order that the notice of the resolution of the common issues be distributed to those Class Members who did not validly opt out;
 - (c) prescribe the information required from Class Members in order to make a claim under Part XXIII.1 of the *OSA*;
 - (d) prescribe the information and procedure required in order for Class Members to make a claim at common law; and
 - (e) set a date by which each Class Member will be required to file a claim.
21. The Plaintiffs propose that the notice of resolution advise Class Members, among other things:
- (a) that the Plaintiffs were successful on the common issues, or some of them;
 - (b) that no Class Member will be entitled to any compensation unless a claim is filed in a prescribed manner by a fixed date;
 - (c) of the procedure to file a claim;
 - (d) that damages for each Class Member under Part XXIII.1 of the *OSA* will be calculated based on her/his/its trading particulars;
 - (e) that each Class Member will have the opportunity to review and, if necessary, provide information to correct the calculation of his/her/its damages under Part XXIII.1 of the *OSA* by accessing personal transaction particulars through the secure portion of the Website;

- (f) that if the liability caps under Part XXIII.1 of the *OSA* are engaged, each Class Member will have the opportunity to come forward and establish the Defendants' liability at common law by proving the facts prescribed by the court, should the claimant choose to do so; and
 - (g) that their rights against the Defendants in relation to the misrepresentations contained in the Class Period disclosure documents will be deemed to have been finally adjudicated whether they submit a claim or not.
22. The Plaintiffs will ask the court to order that the notice of resolution of the common issues be distributed substantially in accordance with the procedure set out in paragraph 13 and 14 above.

CLAIMS PROCESS

23. The Plaintiffs will ask the court to appoint an Administrator, with such rights, powers and duties as the court directs, to receive and evaluate claims in accordance with the protocols approved by the court pursuant to section 25 of the *CPA*.
24. The Plaintiffs will ask the court to appoint one or more Referees with such rights, powers and duties as the court directs to conduct references in accordance with protocols approved by the court.
25. In order to simplify the claims process, the Administrator will, wherever practical, utilize:
- (a) a paperless, electronic state-of-the-art web-based technology system which will include a secure database that is incorporated into the Website ("Database");
 - (b) standardized claims forms and filing procedures; and

- (c) summary methods of introducing documentary evidence.
26. The court will be asked to set a deadline ("Claims Deadline") by which Class Members must file their claims with the Administrator.
 27. Any person who does not file a claim with the Administrator before the Claims Deadline will not be eligible to participate in the damages assessment procedure and will not be entitled to recover any damages without leave of the court.
 28. In order to file a claim, a person must, on or before the Claims Deadline:
 - (a) register on the Database, or by mail or by fax, with the Administrator; and
 - (b) submit such documentation to the Administrator as required by the court in support of the claim.
 29. The types of records which shall constitute sufficient proof of a claim shall be specified in a protocol to be approved by the court and may include trading account statements, trade confirmation slips or other evidence confirming acquisition of Arctic Glacier Units, and, if applicable, evidence confirming disposition of the Arctic Glacier Units. The nature of the claims asserted suggest that such documentation will conclusively determine an individual's eligibility to file a claim and may be conclusive of their entitlement to damages, depending on the resolution of the common issues.
 30. The name, address and amount claimed by each person who files a claim with the Administrator before the Claims Deadline shall be added to the Database and provided with an identification name and a password by the Administrator to permit the person access to her/his/its claims information in the Database.

31. If any claimant disagrees with the Administrator's decision relating to eligibility or calculation of damages, she/he/it may elect to have the Administrator's decision reviewed by the Referee within a time period fixed by the court. The Referee will carry out the review of the Administrator's decision in the least expensive, most summary manner possible in accordance with a protocol to be approved by the court. The Referee's decisions will be final. There shall be no right of appeal from the Referee's decision.

DAMAGES GENERALLY

32. Each Class Member may be entitled to:
- (a) damages assessed in accordance with the assessment formula provided in s. 138.5 of the *OSA*, or a pro rated amount in respect thereof; or
 - (b) damages with respect to the claims for common law negligence, misrepresentation or conspiracy; and
 - (c) a share of the punitive damage award, if any, allocated as the court directs at the trial of the common issues; plus
 - (d) prejudgment interest; plus
 - (e) postjudgment interest.

STATUTORY DAMAGES UNDER PART XXIII.1 OF THE OSA

33. Part XXIII.1 of the *OSA* provides specific directions for the calculation of damages payable under those provisions. The Plaintiffs will ask the court at the common issues trial to determine the formula by which the damages of Class Members are to be calculated.

34. The Administrator will review the share purchase and sale data of each Class Member who makes a claim, and calculate damages under Part XXIII.1 of the *OSA* pursuant to the formulae ordered by the court in the judgment on the common issues.
35. In respect of each claimant who files a claim before the Claims Deadline, the Administrator shall make a decision, and promptly notify the claimant of the following:
 - (a) whether the person is an eligible claimant; and
 - (b) the amount of the person's damages calculated pursuant to Part XXIII.1 of the *OSA*.
36. The Administrator shall post its conclusions on the Database and/or communicate them electronically or in writing by mail or by fax to the persons affected in accordance with a protocol to be approved by the court.
37. Each claimant will be able to access the Administrator's decision and damage calculations by going to the Database and inputting an identification name and password. The Defendants determined by the court to be liable shall also have access to the Database.
38. After a claimant has reviewed damage calculations in the Database, the claimant, or the Defendants determined by the court to be liable, can advise the Administrator, within a time period fixed by the court, of any disagreement they may have with the information and/or calculations.
39. After being advised of a disagreement by the Class Member within the period fixed by the court, the Administrator shall consider any information provided by the claimant

and/or the Defendants and provide its decision on eligibility and/or the damages calculation.

COMMON LAW AND EQUITABLE DAMAGES

40. In the event that:

- (a) the damages payable by the Defendants are capped pursuant to section 138.7 of the *OSA* and the Class Members' statutory recovery provides them with less than full compensation; and
- (b) the court's findings at the completion of the common issues trial are such that there remain individual issues to be resolved in order for Class Members to prevail on their claims for breach of trust, negligence, misrepresentation or conspiracy at common law;

Class Members will be provided with the opportunity to come forward to prove any such individual issues and their damages pursuant to those causes of action.

41. The Class Members will be notified of the court's judgment following the Administrator's First Report to Court. Within 60 days of the date of notification Class Members will be required to give notice of their intention to proceed with a claim at common law by providing a statement of the facts (limited to those facts relating solely to the individual issues) on which they rely.

Small Claims (Under \$25,000)

42. Class Members with remaining claims of less than \$25,000 wishing to proceed with such claims will be required to file affidavit evidence setting out their evidence with respect to the individual issues remaining to be proven. Any Defendant may cross-examine an

affiant on their affidavit by written interrogatories (in accordance with rule 35 of the *Rules of Civil Procedure*) should they wish to challenge the evidence. The Referee will then make a decision with respect to the Class Member's claim on the basis of the affidavit and the answers to the written interrogatories.

Summary Claims (\$25,000-\$100,000)

43. Class Members with remaining claims worth between \$25,000 and \$100,000 wishing to proceed with such claims shall proceed in accordance with the simplified procedure set out in rule 76 of the *Rules of Civil Procedure* and will be required to file:

- (a) an affidavit of documents prepared in accordance with rule 76.03; and
- (b) affidavit evidence relating to the individual issues remaining to be proven.

44. The Referee may make decisions on the claims of the Class Member on the basis of the record, or may, in her or his discretion, conduct a summary trial of such claims in a manner analogous to the procedure contained in rule 76.12 of the *Rules of Civil Procedure*.

Full Claims (Over \$100,000)

45. Class Members with remaining claims in excess of \$100,000 wishing to proceed with such claims will be required to:

- (a) serve on the Defendants an affidavit of documents prepared in accordance with rule 30.03 of the *Rules of Civil Procedure*; and
- (b) attend for an oral examination for discovery (in accordance with rule 34), or provide answers to written interrogatories (in accordance with rule 35), as any Defendant wishing to examine them may elect.

46. The Referee may, in its discretion, make a decision on the individual issues based on the documentary and discovery evidence, or conduct a trial of such claims.

THE ADMINISTRATOR'S FIRST REPORT TO COURT

47. Once the Referee(s) has conducted all of the proceedings described above, the Administrator will present the findings to the court in the Administrator's Second Report to the Court.

48. The court will be asked:

- (a) to review the Administrator's Second Report to the Court and enter judgment in accordance with it;
- (b) decide whether or not to authorize the Administrator to make a distribution to the eligible Class Members; and
- (c) discharge the Referee(s) from his or her mandate.

49. If the total available for distribution to Class Members is not fully disbursed to the Class Members within a period of time fixed by the court, the unpaid amount shall be distributed by the Administrator to designated recipients cy près in such manner and on such terms as the court may direct.

ADMINISTRATOR'S FINAL REPORT TO COURT

50. After the Administrator makes its final distribution, it shall report to the court and be discharged as the Administrator.

ORDERS RELATING TO CLASS COUNSEL'S FEES AND THE COSTS OF ADMINISTRATION

51. After the trial of the common issues, the Plaintiffs will ask the court to approve an agreement respecting fees and disbursements with Class Counsel. To the extent that the approved Class Counsel's fees, disbursements and GST are not completely paid by the costs recovered from the Defendants, the unpaid balance shall be a first charge on the total recovery and paid before any distribution to the Class Members.
52. The Plaintiffs will ask the court to order that the defendants pay all administration costs, including the costs of all notices associated with the process and the fees and disbursements of the Administrator and Referee as these costs are incurred. Absent that court order, the Plaintiffs will seek an order that these costs be paid out of the total recovery after payment of Class Counsel's fees and disbursements but before any distribution to the Class Members.

MOTIONS FOR DIRECTIONS

53. Any party, the Administrator or the Referees may at any time apply to the court for directions in respect of this Litigation Plan.

FURTHER ORDERS CONCERNING THIS PLAN

54. This Plan may be amended from time-to-time by directions given at case conferences or by further order of the court.

EFFECT OF THIS PLAN

55. This Plan shall be binding on all Class Members who do not opt out in accordance with the procedure directed by the court whether or not they make a claim under the Plan.

Schedule 1**Brokers**

- Assante Corp
- BMO Nesbitt Burns
- Canaccord Capital
- CIBC Wood Gundy
- Desjardins Securities
- Dundee Wealth Management Inc.
- E*Trade Canada
- Edward Jones
- HSBC InvestDirect
- Investors Group Inc.
- National Bank Financial
- RBC Dominion Securities Inc.
- Raymond James Ltd.
- Scotia McLeod
- TD Waterhouse

Schedule 2**List of Websites**

- Google Finance
- Google Finance Canada
- MarketWatch
- Stockhouse.ca
- TheStreet.com
- Google (in response to searches for “Arctic Glacier class action in Canada”)
- Google.ca (in response to searches for “Arctic Glacier class action in Canada”)
- Yahoo! (in response to searches for “Arctic Glacier class action in Canada”)
- Yahoo! Canada (in response to searches for “Arctic Glacier class action in Canada”)
- Live Search (in response to searches for “Arctic Glacier class action in Canada”)

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at London

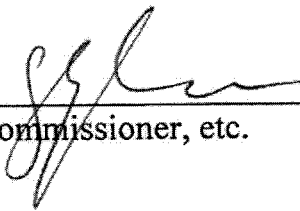
**ORDER
(Certification)**

Siskinds LLP
Barristers & Solicitors
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

A. Dimitri Lascaris (LSUC #: 50074A)
Michael G. Robb (LSUC #: 45787G)
Daniel E. H. Bach (LSUC #: 52087E)
Tel: 519.660.2121
Fax: 519.660.6065

Lawyers for the Plaintiffs

This is Exhibit "F" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 2nd day of April, 2012.



A Commissioner, etc.

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

Made as of March 20, 2012

Between

**THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT, ROBERT WONG and GUINING LIU**

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT
TABLE OF CONTENTS**

RECITALS	1
SECTION 1 - DEFINITIONS	3
SECTION 2 - SETTLEMENT APPROVAL	8
2.1 Best Efforts	8
2.2 Motions for Approval	8
2.3 Pre-Motion Confidentiality	9
SECTION 3 - SETTLEMENT BENEFITS	10
3.1 Cooperation – No Disclosure of Privileged Communications.....	10
3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws	10
3.3 Cooperation – No Disclosure of Confidential Information	10
3.4 Cooperation.....	10
SECTION 4 - OPTING-OUT	15
4.1 Procedure	15
4.2 Opt-Out Report	16
SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT	16
5.1 Effect of Non-Approval of Settlement Agreement.....	16
5.2 Survival of Provisions After Non-Approval of Settlement Agreement.....	17
5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement ..	18
SECTION 6 - RELEASES AND DISMISSALS.....	18
6.1 Release of Releasees	18
6.2 Covenant Not To Sue.....	18
6.3 No Further Claims.....	19
6.4 Dismissal of the Proceedings.....	19

6.5 Dismissal of Other Actions19

SECTION 7 - BAR ORDER AND OTHER CLAIMS19

7.1 Ontario Bar Order19

7.2 Quebec Bar Order21

7.3 Claims Against Other Persons Reserved22

7.4 Material Term22

SECTION 8 - EFFECT OF SETTLEMENT22

8.1 No Admission of Liability22

8.2 Agreement Not Evidence22

8.3 No Further Litigation23

SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY23

SECTION 10 - NOTICE TO SETTLEMENT CLASSES23

10.1 Required Notice23

10.2 Form and Distribution of Notices24

SECTION 11 - MISCELLANEOUS24

11.1 Motions for Directions24

11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings24

11.3 Headings, etc.....24

11.4 Computation of Time25

11.5 Ongoing Jurisdiction.....25

11.6 Governing Law25

11.7 Disputes.....26

11.8 Joint and Severable / Indivisible.....26

11.9 Entire Agreement27

11.10 Amendments27

11.11 Binding Effect.....27

11.12	General Obligation.....	27
11.13	No Assignment.....	28
11.14	Third Party Beneficiaries	28
11.15	Counterparts.....	28
11.16	Negotiated Agreement	28
11.17	Language.....	29
11.18	Transaction.....	29
11.19	Recitals.....	29
11.20	Schedules	29
11.21	Acknowledgements.....	29
11.22	Authorized Signatures.....	30
11.23	Notice.....	30
11.24	Date of Execution	32

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

RECITALS

- A. WHEREAS the Proceedings have been commenced by the Plaintiffs in Ontario and Quebec which allege that the Settling Defendant made misrepresentations regarding the assets, business and transactions of Sino-Forest contrary to the *OSA*, the *QSA*, the civil law of Quebec and the common law of the rest of Canada;
- B. AND WHEREAS the Settling Defendant believes that it is not liable in respect of the claims as alleged in the Proceedings and the Settling Defendant believes that it has good and reasonable defences in respect of the merits in the Proceedings;
- C. AND WHEREAS the Settling Defendant asserts that it would actively pursue its defences in respect of the merits during the course of certification, during the course of discovery and at trial if the Plaintiffs continued the Proceedings against it;
- D. AND WHEREAS, despite the Settling Defendant's belief that it is not liable in respect of the claims as alleged in the Proceedings and its belief that it has good and reasonable defences in respect of the merits, the Settling Defendant has negotiated and entered into this Settlement Agreement to avoid further expense, inconvenience, and burden of this litigation and any other present or future litigation arising out of the facts that gave rise to this litigation and to achieve final resolutions of all claims asserted or which could have been asserted against the Settling Defendant by the Plaintiffs on their own behalf and on behalf of the classes they seek to represent, and to avoid the risks inherent in uncertain, complex and protracted litigation;
- E. AND WHEREAS counsel for the Settling Defendant and counsel for the Plaintiffs have engaged in extensive arm's-length settlement discussions and negotiations in respect of this Settlement Agreement;
- F. AND WHEREAS as a result of these settlement discussions and negotiations, the Settling Defendant and the Plaintiffs have entered into this Settlement Agreement, which embodies all of the terms and conditions of the settlement between the Plaintiffs and the Settling Defendant, both individually and on behalf of the Settlement Class, subject to approval of the Courts;

G. AND WHEREAS the Plaintiffs have agreed to accept this settlement, in part, because of the value of the cooperation the Settling Defendant has made and agrees to render or make available to the Plaintiffs and/or Class Counsel pursuant to this Settlement Agreement, as well as the attendant risks of litigation in light of the jurisdictional issues relating to the Settling Defendant, the potential defences that may be asserted by the Settling Defendant and the challenges of enforcement against the Settling Defendant in a foreign jurisdiction;

H. AND WHEREAS the Plaintiffs recognize the benefits of the Settling Defendant's early cooperation in respect of the Proceedings;

I. AND WHEREAS the Settling Defendant does not admit through the execution of this Settlement Agreement any allegation of unlawful conduct alleged in the Proceedings;

J. AND WHEREAS the Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the Plaintiffs' claims, and having regard to the burdens and expense in prosecuting the Proceedings, including the risks and uncertainties associated with trials and appeals, the Plaintiffs and Class Counsel have concluded that this Settlement Agreement is fair, reasonable and in the best interests of the Plaintiffs and the classes they seek to represent;

K. AND WHEREAS the Plaintiffs, Class Counsel and the Settling Defendant agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the Plaintiffs' allegations against the Settling Defendant, which the Settling Defendant expressly denies;

L. AND WHEREAS the Settling Defendant is entering into this Settlement Agreement in order to achieve a final and nation-wide resolution of all claims asserted or which could have been asserted against it by the Plaintiffs in the Proceedings or claims which could in the future be brought on the basis of the same events, actions and omissions underlying the Proceedings, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation;

M. AND WHEREAS the Parties therefore wish to, and hereby do, finally resolve on a national basis, without admission of liability, all of the Proceedings as against the Settling Defendant;

N. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Parties have consented to certification of the Ontario Proceeding and authorization of the Quebec Proceedings as class proceedings and have consented to a Settlement Class and a Common Issue in each of the Proceedings;

O. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Plaintiffs have consented to a dismissal of each of the Proceedings as against the Settling Defendant;

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Parties that the Proceedings be settled and dismissed with prejudice as to the Settling Defendant only, without costs as to the Plaintiffs, the classes they seek to represent or the Settling Defendant, subject to the approval of the Courts, on the following terms and conditions:

SECTION 1 - DEFINITIONS

For the purpose of this Settlement Agreement (as hereinafter defined):

- (1) *Affiliates* means, in respect of any Person, any other Person or group of Persons that, directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, such Person first mentioned, and for the purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.
- (2) *Approval Hearings* means the hearings to approve the motions brought by Ontario Counsel before the Ontario Court and Quebec Counsel before the Quebec Court, for such Courts' respective approval of the settlement provided for in this Settlement Agreement.
- (3) *Auditors* means, collectively, Ernst & Young LLP and BDO Limited (formerly known as BDO McCabe Lo Limited).

- (4) ***Class Counsel*** means, collectively, Ontario Counsel and Quebec Counsel.
- (5) ***Class Period*** means March 19, 2007 to June 2, 2011.
- (6) ***Common Issue*** in each of the Ontario Proceeding and Quebec Proceeding means: Did the Settling Defendant make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did Settlement Class Members suffer?
- (7) ***Courts*** means, collectively, the Ontario Court and the Quebec Court.
- (8) ***Defendants*** means, collectively, the Persons named as defendants in the Proceedings as set out in Schedule A and any other Person who is added as a defendant in the Proceedings in the future.
- (9) ***Effective Date*** means the date when the Final Order has been received from the last of the Ontario Court and the Quebec Court to issue the Final Order.
- (10) ***Excluded Person*** means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors successors and assigns, and any individual who is a member of the immediate family of an individual Defendant.
- (11) ***Final Order*** means a final judgment entered by the Ontario Court or the Quebec Court in respect of both: (i) the certification or authorization of the Ontario Proceeding or the Quebec Proceeding, respectively, as a class proceeding; and (ii) the approval of this Settlement Agreement; but only once the time to appeal such judgment has expired without any appeal being taken, if an appeal lies or, once there has been affirmation of the certification or authorization of a Proceeding as a class proceeding and the approval of this Settlement Agreement, upon a final disposition of all appeals therefrom.
- (12) ***Non-Settling Defendant*** means a Defendant that is not the Settling Defendant.
- (13) ***Notice of Certification/Authorization and Approval Hearings*** means the form or forms of notice, agreed to by the Plaintiffs and the Settling Defendant, or such other form or forms as may be approved by the Courts, which informs the Settlement Class of: (i) the certification of the

Ontario Proceeding or authorization of the Quebec Proceeding solely for the purposes of this Settlement; (ii) the dates and locations of each of the Approval Hearings; (iii) the principal terms of this Settlement Agreement; (iv) the process by which Settlement Class Members can opt out of each of the Proceedings; and (v) the Opt Out Deadline in respect of each of the Proceedings.

- (14) *Ontario Proceeding* means Ontario Court File No. CV-11-431153-00CP (Toronto).
- (15) *Ontario Counsel* means Siskinds LLP and Koskie Minsky LLP.
- (16) *Ontario Court* means the Ontario Superior Court of Justice.
- (17) *Opt-Out Administrator* means the Person appointed by the Courts to receive and report on Opt Outs.
- (18) *Opt-Out Deadline* means the date which is sixty (60) days after the date on which the Notice of Certification/Authorization and Approval Hearings is first published.
- (19) *OSA* means the *Securities Act*, RSO 1990, c S.5.
- (20) *Other Actions* means, without limitation, actions, suits, proceedings or arbitration, civil, criminal, regulatory or otherwise, at law or in equity, other than the Proceedings, relating to Released Claims commenced by a Settlement Class Member either before or after the Effective Date.
- (21) *Parties* means, collectively, the Plaintiffs, Settlement Class Members and the Settling Defendant.
- (22) *Person* means an individual, corporation, partnership, limited partnership, limited liability company, association, estate, legal representative, trust, trustee, executor, beneficiary, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity and their heirs, predecessors, successors, representatives, or assignees.
- (23) *Plaintiffs* means the Persons named as plaintiffs in the Proceedings as set out in Schedule A, and any other Person who may in the future be added as plaintiff to either of the Proceedings.
- (24) *PRC* means the People's Republic of China.

- (25) *Proceedings* means, collectively, the Ontario Proceeding and the Quebec Proceeding.
- (26) *Proportionate Liability* means that proportion of any judgment that, had they not settled, the Ontario Court would have apportioned to the Releasees.
- (27) *QSA* means the *Quebec Securities Act*, R.S.Q., c. V-1.1
- (28) *Quebec Class Members* means all natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.
- (29) *Quebec Counsel* means Siskinds Desmeules s.e.n.c.r.l.
- (30) *Quebec Court* means the Superior Court of Quebec.
- (31) *Quebec Proceeding* means Quebec Court (District of Quebec) Court file No. 200-06-000132-111.
- (32) *Released Claims* means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, for damages whenever incurred, obligations, liabilities of any nature whatsoever including, without limitation, interest, costs, expenses, class administration expenses, penalties, and lawyers' fees (including Class Counsel's fees), known or unknown, suspected or unsuspected, in law, under statute or in equity, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall or may have, relating in any way to any conduct anywhere, from the beginning of time to the date hereof, or in respect of any misrepresentations (including, without limitation, any verbal statements made or not made by the Settling Defendant's agents) directly or indirectly relating to Sino-Forest, its Subsidiaries

(including, without limitation, Greenheart Group Limited) and other Affiliates and their respective assets, business and transactions, whether contained in or arising from valuations or reports prepared by the Settling Defendant or any Releasee for Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates or elsewhere, or relating to any conduct alleged (or which could have been alleged or could in the future be alleged on the basis of the same events, actions and omissions) in the Proceedings including, without limitation, any such claims which have been asserted, could have been asserted, or could in the future be asserted on the basis of the same events, actions and omissions underlying the Proceedings, directly or indirectly, whether in Canada or elsewhere, as a result of or in connection with the events discussed in the reports of Sino-Forest's Independent Committee and the June 2, 2011 report issued by Muddy Waters LLC in respect of Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates;

(33) *Releasees* means, jointly and severally, individually and collectively, the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates, and their respective divisions, partners, insurers (solely in respect of any insurance policy applicable to the acts or omissions of the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates), consultants, sub-consultants, attorneys, agents and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, purchasers, heirs, executors, administrators and assigns of each of the foregoing, excluding always the Non-Settling Defendants and any of their respective current or former Subsidiaries and other Affiliates, officers, directors, executives, employees, shareholders, joint venturers and/or partners.

(34) *Releasers* means, jointly and severally, individually and collectively, the Plaintiffs and the Settlement Class Members and their respective Subsidiaries and other Affiliates, and their respective divisions, partners, insurers, consultants, sub-consultants and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, heirs, executors, administrators, representatives, insurers and assigns.

- (35) *Settlement Agreement* means this agreement including the recitals and schedules.
- (36) *Settlement Class* means, in respect of each of the Ontario Proceeding and the Quebec Proceeding, the settlement class defined in Schedule A.
- (37) *Settlement Class Member* means a member of a Settlement Class who does not validly opt-out of that Settlement Class in accordance with section 4.1 and any orders of the Courts.
- (38) *Settling Defendant* means Pöyry (Beijing) Consulting Company Limited.
- (39) *Sino-Forest* means Sino-Forest Corporation.
- (40) *Subsidiary* has the meaning ascribed to it in the *Canada Business Corporations Act*.
- (41) *Underwriters* means Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC, and Banc of America Securities LLC, including, without limitation, their respective Subsidiaries and other Affiliates and their respective personnel.

SECTION 2 - SETTLEMENT APPROVAL

2.1 Best Efforts

The Parties shall use their best efforts to effectuate this settlement and to secure the prompt, complete and final dismissal with prejudice of the Proceedings and without further recourse as against the Settling Defendant.

2.2 Motions for Approval

- (1) Each of the Ontario Plaintiffs and Quebec Plaintiffs shall promptly bring motions before the Ontario Court and the Quebec Court, respectively, for orders approving the notices described in section 10 herein, certifying the Ontario Proceeding and authorizing the Quebec Proceeding as a class proceeding for settlement purposes only and approving this Settlement Agreement.
- (2) The motions for approval of this Settlement Agreement referred to in section 2.2(1) shall not be returnable until the Opt Out Deadline has passed.

(3) The Ontario order certifying the Ontario Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-1. The Quebec order authorizing the Quebec Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-2.

(4) The Ontario order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-1. The Quebec order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-2.

(5) The form and content of the orders approving the Settlement Agreement contemplated in this section 2.2 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the orders substantially in the form contemplated herein and attached as schedules hereto shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

2.3 Pre-Motion Confidentiality

(1) Until the first of the motions required by section 2.2 is brought, the Parties shall keep all of the terms of this Settlement Agreement, and any information or documents related thereto, confidential and shall not disclose them without the prior written consent of counsel for the Settling Defendant and Class Counsel, as the case may be, except as required for the purposes of financial reporting or the preparation of financial records (including, without limitation, tax returns and financial statements) or as otherwise required by law, in which case the Party seeking to disclose shall provide at least fifteen (15) days written notice to the other Parties of the proposed disclosure and the basis for the proposed disclosure.

(2) Any disclosure of the terms of this Settlement Agreement, and any information or documents related thereto, contemplated in subsection 2.3(1) or otherwise shall be for the sole and exclusive purpose of seeking approval of this Settlement Agreement by the Courts and facilitating the settlement of the Proceedings and release of the Released Claims pursuant to the terms of this Settlement Agreement.

SECTION 3 - SETTLEMENT BENEFITS

3.1 Cooperation – No Disclosure of Privileged Communications

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant, or to disclose or produce any document or information in breach of any order, regulatory directive, regulatory policy, regulatory agreement or law of any jurisdiction, or subject to solicitor-client privilege, litigation privilege, attorney-client privilege, work product doctrine, common interest privilege, joint defence privilege or any other privilege.

3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information, where production of such documents or information would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach or violation of any federal, provincial, state or local privacy law, or any law of a foreign jurisdiction, including, without limitation, PRC privacy and state secrets protection laws.

3.3 Cooperation – No Disclosure of Confidential Information

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any confidential documents or information that the Settling Defendant holds under commercial arrangements where such disclosure or production would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach of contract.

3.4 Cooperation

(1) It is understood and agreed that all documents and information provided by the Settling Defendant or Releasees to Plaintiffs and Class Counsel under this Settlement Agreement shall be used only in connection with the prosecution of the claims in the Proceedings, and shall not be used directly or indirectly for any other purpose. Plaintiffs and Class Counsel agree that they will not publicize the documents and information provided by the Settling Defendant beyond

what is reasonably necessary for the prosecution of the Proceedings or as otherwise required by law.

(2) Within thirty (30) days of the Date of Execution or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide, through a meeting between counsel for the Settling Defendant and Class Counsel, an evidentiary proffer, which will include verbal information relating to the allegations in the Proceedings including, without limitation, a summary of the Settling Defendant's material interactions and involvement with Sino-Forest, the Auditors and the Underwriters; the Settling Defendant's understanding of Sino-Forest's business model as it pertains to timber plantation, purchased forests and forestry management; and the Settling Defendant's knowledge and understanding of Sino-Forest's actual or purported revenues and/or assets during the Class Period.

(3) Within thirty (30) days of the Effective Date, or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide copies of the following categories of documents being within the possession, custody or control of the Settling Defendant and the Releasees:

- (a) documents relating to Sino-Forest, the Auditors or the Underwriters, or any of them, as well as the dates, locations, subject matter, and participants in any meetings with or about Sino-Forest, the Auditors or the Underwriters, or any of them;
- (b) documents provided by the Settling Defendant or any Releasee to any state, federal or international government or administrative agency, without geographic limitation, concerning the allegations raised in the Proceedings, excluding documents created for the purpose of being so provided; and
- (c) documents provided by the Settling Defendant or any Releasee to Sino-Forest's Independent Committee or the ad hoc committee of noteholders.

(4) The obligation to produce documents pursuant to this section 3.4 shall be a continuing obligation to the extent that material documents are identified following the initial productions. The Settling Defendant and Releasees make no representation that they have a complete set of documents within any of the categories of information or documents described herein.

(5) To the extent that any document includes technical information within the expertise of the Settling Defendant, Class Counsel may request, and the Settling Defendant shall provide, an explanation sufficient for Class Counsel to understand the document; however, in no event will any liability or further obligation attach to such explanation.

(6) Following the Effective Date, the Settling Defendant and Releasees shall, at the request of Class Counsel, upon reasonable notice, and subject to any legal restrictions, make reasonable efforts to make available at a mutually convenient time, at a mutually agreed upon location in North America, up to three (3) current or former employees of the Settling Defendant and Releasees who have knowledge of the allegations raised in the Proceedings to provide information regarding the allegations raised in the Proceedings in a personal interview with Class Counsel and/or experts retained by Class Counsel in the presence of, and assisted by, counsel for the Settling Defendant, provided that none of the employee(s) or former employee(s) are required to travel to North America pursuant to this subsection 3.4(6) more than two (2) times each. Costs incurred by, and the expenses of, the employees of the Settling Defendant and Releasees in relation to such interviews shall be the responsibility of the Settling Defendant. If the employee(s) or former employee(s) contemplated in this subsection 3.4(6) refuse to provide information, or otherwise cooperate, the Settling Defendant shall use reasonable efforts to make him/her available for an interview with Class Counsel and/or experts retained by Class Counsel as aforesaid. The failure of the employee(s) or former employee(s) contemplated in this subsection 3.4(6) to agree to make him or herself available, or to otherwise cooperate with the Plaintiffs shall not constitute a breach or other violation of this Settlement Agreement, and shall not provide any basis for the termination of this Settlement Agreement, provided that the Settling Defendant has made reasonable efforts to cause such cooperation.

(7) Subject to the rules of evidence and the other provisions of this Settlement Agreement, the Settling Defendant agrees to use reasonable efforts to produce at trial and/or discovery or through affidavits acceptable to Class Counsel or other testimony, (i) a current representative as Class Counsel and the Settling Defendant, acting reasonably, agree would be qualified to establish for admission into evidence the Settling Defendant and Releasees' involvement with Sino-Forest, the Auditors and the Underwriters; and (ii) current representatives as Class Counsel and the Settling Defendant, acting reasonably, agree would be necessary to support the submission into evidence of any information and/or documents provided by the Settling

Defendant or any Releasee in accordance with this Settlement Agreement that Class Counsel and the Settling Defendant, acting reasonably, agree might be reasonably necessary for the prosecution of the Proceedings, including, without limitation, for the purpose of any motion where such evidence is reasonably necessary.

(8) In connection with its provision of information, testimony and documents, the Settling Defendant and the Releasees shall have the right to assert solicitor-client privilege, litigation privilege and/or any other privilege, or to assert a right to refuse production on the basis of privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction. To the extent that Class Counsel requests particular documents, information or other materials from the Settling Defendant and the Settling Defendant does not produce the requested documents, information or other materials on the basis of this provision, or any other provision herein: (i) counsel for the Settling Defendant shall provide Class Counsel with a description of any such documents, information or other materials and a description of the basis on which the Settling Defendant is not prepared to produce said document, information or other material sufficient for Class Counsel to assess the nature of that basis and the document, information or other material, except where providing such descriptions would, in the reasonable judgment of counsel for the Settling Defendant, be contrary to privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction, in which case counsel for the Settling Defendant will so advise; and (ii) Class Counsel or counsel for the Settling Defendant may seek to resolve any dispute arising from this subsection 3.4(8) pursuant to the procedures set out in section 11.7 of this Settlement Agreement.

(9) The Settling Defendant and Releasees waive any and all privilege relating to any specific document that the Settling Defendant has agreed to produce in response to this section 3.4. Notwithstanding the foregoing, nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant or any Releasee to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant during the course of any of the Proceedings.

(10) If any of the types of documents referenced in sections 3.1, 3.2 or 3.3 are accidentally or inadvertently produced, such documents shall be promptly returned to counsel for the Settling Defendant and the documents and the information contained therein shall not be disclosed or

used directly or indirectly, except with the express written permission of the Settling Defendant, and the production of such documents shall in no way be construed to have waived in any manner any privilege or protection attached to such documents.

(11) It is understood and agreed that the Plaintiffs, the Settlement Class Members and Class Counsel shall not, without the express written consent of the Settling Defendant and its counsel, directly or indirectly use any information or documents provided by the Settling Defendant or any Releasee, or received from the Settling Defendant or any Releasee in connection with this Settlement Agreement, for any purpose other than the prosecution of the claims in the Proceedings, nor disclose or share with any other Persons (including, without limitation, any regulator, agency or organization of this or any other jurisdiction), any information or documents obtained from the Settling Defendant in connection with this Settlement Agreement or any information conveyed by counsel for the Settling Defendant or any Releasee, except in the event that a court in Canada expressly orders such information or documents to be disclosed. In no circumstances, however, may the Plaintiffs, the Settlement Class Members and/or Class Counsel apply for or consent to such an order, and promptly, upon becoming aware of an application or motion for such an order, Class Counsel shall immediately notify the Settling Defendant of the application or motion in order that the Settling Defendant may intervene in such proceedings. The disclosure restrictions set forth in this subsection do not apply to otherwise publicly available documents and information.

(12) The Settling Defendant and Releasees' obligations to cooperate as particularized in this section 3.4 shall not be affected by the release provisions contained in section 6 of this Settlement Agreement. The Settling Defendant and Releasees' obligations to cooperate shall cease at the date of final judgment or order in the Proceedings against all Defendants, including, without limitation, an order approving a settlement between the Plaintiffs and the Non-Settling Defendants and/or an order dismissing the Proceedings. In the event the Settling Defendant or any Releasee materially breaches this section 3.4, Class Counsel may move before the Courts to enforce the terms of this Settlement Agreement.

(13) The provisions set forth in this section 3.4 shall constitute the exclusive means by which the Plaintiffs, the Settlement Class Members and Class Counsel may obtain discovery from the Settling Defendant, its current and former directors, officers or employees and the Releasees, and

the Plaintiffs, the Settlement Class Members and Class Counsel shall pursue no other means of discovery against the Settling Defendant, its current and former directors, officers or employees and the Releasees, whether under the laws or rules of any jurisdiction.

(14) A material factor influencing the Settling Defendant's decision to execute this Settlement Agreement is its desire to limit the burden and expense of this litigation. Accordingly, Class Counsel agree to exercise good faith in seeking cooperation from the Settling Defendant and any Releasee and to avoid seeking information that is unnecessary, cumulative or duplicative and agree otherwise to avoid imposing undue or unreasonable burden or expense on the Settling Defendant or Releasees.

SECTION 4 - OPTING-OUT

4.1 Procedure

(1) A Person may opt-out of the Proceedings by sending a written election to opt-out, signed by the Person or the Person's designee, by pre-paid mail, courier, fax, or email to the Opt-Out Administrator at an address to be identified in the Notice of Certification/Authorization and Approval Hearings. Residents of Quebec must also send the written election to opt-out by pre-paid mail or courier to the Quebec Court at an address to be identified in the Notice of Certification/Authorization and Approval Hearings.

(2) An election to opt-out will only be effective if it is actually received by the Opt-Out Administrator on or before the Opt-Out Deadline.

(3) The written election to opt-out must contain the following information in order to be effective:

- (a) the Person's full name, current address and telephone number;
- (b) the name and number of Sino-Forest securities purchased during the Class Period and the date and price of each such transaction;
- (c) a statement to the effect that the Person wishes to be excluded from the Proceedings; and
- (d) the reasons for opting out.

(4) Quebec Class Members who have commenced proceedings or commence proceedings against any of the Defendants with respect to the matters at issue in the Quebec Proceeding and fail to discontinue such proceedings by the Opt-Out Deadline shall be deemed to have opted out of the Quebec Proceeding. Quebec Counsel warrant and represent that, to the best of their knowledge, no such action has been commenced as of the date this Settlement Agreement was executed by it.

4.2 Opt-Out Report

Within fifteen (15) days of the Opt-Out Deadline, the Opt-Out Administrator shall provide to the Settling Defendant a report containing the following information in respect of each Person, if any, who has validly and timely opted out of the Proceedings:

- (a) the Person's full name, current address and telephone number;
- (b) the reasons for opting out, if given; and
- (c) a copy of all information provided in the opt-out process by the Person electing to opt-out.

SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT

5.1 Effect of Non-Approval of Settlement Agreement

In the event of non-approval of the Settlement Agreement by either of the Ontario Court or the Quebec Court:

- (a) any order certifying or authorizing a Proceeding as a class action on the basis of the Settlement Agreement or approving this Settlement Agreement shall be set aside and declared null and void and of no force or effect, and anyone shall be estopped from asserting otherwise;
- (b) to the extent that any Court is resistant to setting aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes, Class Counsel undertakes to, on a best efforts basis, assist the Settling Defendant in having such an order set aside and shall, if requested by the Settling Defendant, bring a

motion on behalf of the Plaintiffs to set aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes;

- (c) any prior certification or authorization of a Proceeding as a class proceeding, including, without limitation, the definitions of the Settlement Class and the Common Issue, shall be without prejudice to any position that any of the Parties may later take on any issue in the Proceedings or any other litigation;
- (d) within ten (10) days of such non-approval having occurred, Class Counsel shall destroy: (i) all documents and other materials provided by the Settling Defendant or any Releasee; and (ii) all documents and other materials containing or reflecting information derived from any documents or other materials provided by the Settling Defendant or any Releasee or conveyed by counsel for the Settling Defendant, through the evidentiary proffer process described in subsection 3.4(2) herein or otherwise.
- (e) To the extent Class Counsel or the Plaintiffs have disclosed any documents or other materials provided by the Settling Defendant or any Releasee to any other Person, Class Counsel shall, within ten (10) days, recover and destroy such documents and other materials and shall provide the Settling Defendant and Releasees with a written certification by Class Counsel of such destruction.
- (f) Nothing contained in this section 5.1 shall be construed to require Class Counsel to destroy any of their work product; and
- (g) subject to section 5.2 herein, all obligations pursuant to this Settlement Agreement shall cease immediately.

5.2 Survival of Provisions After Non-Approval of Settlement Agreement

If this Settlement Agreement is not approved by the Courts, the provisions of sections 5, 8.1, and 8.2, and the definitions and Schedules applicable thereto shall survive the non-approval and continue in full force and effect. The definitions and Schedules shall survive only for the limited purpose of the interpretation of sections 5, 8.1, and 8.2 within the meaning of this Settlement Agreement, but for no other purposes. All other provisions of this Settlement

Agreement and all other obligations pursuant to this Settlement Agreement shall cease immediately.

5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement

Except as may be set forth in this Settlement Agreement, the Settling Defendant and Plaintiffs expressly reserve all of their respective rights if this Settlement Agreement does not become effective or is not approved by the Courts and the Plaintiffs hereby expressly acknowledge that they will not, in any way whatsoever, use the fact or existence of this Settlement Agreement or related documents and information as any form of admission, whether of liability, process, wrongdoing, or otherwise, of the Settling Defendant.

SECTION 6 - RELEASES AND DISMISSALS

6.1 Release of Releasees

(1) Upon the Effective Date, and in consideration of the cooperation of the Settling Defendant and the Releasees pursuant to this Settlement Agreement, and for other valuable consideration set forth in the Settlement Agreement, the Releasors forever and absolutely release the Releasees from the Released Claims.

(2) The Releasors are aware that they may hereafter discover claims or facts in addition to or different from those they now know or believe to be true with respect to the matters giving rise to the Released Claims. Nevertheless, it is the intention of each of the Releasors to fully, finally and forever settle and release the Released Claims. In furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release of all Released Claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.

6.2 Covenant Not To Sue

Notwithstanding section 6.1, for any Settlement Class Members resident in any province or territory where the release of one tortfeasor is a release of all other tortfeasors, upon the Effective Date, the Releasors do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

6.3 No Further Claims

The Releasors shall not now or hereafter institute, continue, maintain or assert, or otherwise join, assist, aid or act in concert in any manner whatsoever, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other Person, any action, suit, proceedings, arbitration, cause of action, claim or demand, whether civil, criminal, regulatory or otherwise, against any Releasee or any other Person who may claim contribution or indemnity from any Releasee arising from, in respect of or in connection with any of the matters giving rise to any Released Claim or any matter related thereto, except for the continuation of the Proceedings against the Non-Settling Defendants.

6.4 Dismissal of the Proceedings

Upon the Effective Date, each of the Ontario Proceeding and the Quebec Proceeding shall be dismissed with prejudice and without costs as against the Settling Defendant.

6.5 Dismissal of Other Actions

(1) Upon the Effective Date, each Settlement Class Member shall be deemed to consent to the dismissal, without costs or further recourses and with prejudice, of his, her or its Other Actions against the Releasees.

(2) Upon the Effective Date, all Other Actions in each of the Courts' respective jurisdictions commenced by any Settlement Class Member shall be dismissed against the Releasees, without costs or further recourses and with prejudice.

SECTION 7 - BAR ORDER AND OTHER CLAIMS

7.1 Ontario Bar Order

(1) The Plaintiffs in the Ontario Proceeding shall seek a bar order from the Ontario Court providing for the following:

- (a) All claims for contribution, indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the *OSA* or other statute, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims, which were or could have been brought in the Proceedings or otherwise, or could in the

future be brought on the basis of the same events, actions and omissions underlying the Proceedings or otherwise, by any Non-Settling Defendant or any Party or other Releasor against a Releasee are barred, prohibited and enjoined in accordance with the terms of this section 7.1.

- (b) If the Court determines that there is a right of contribution and indemnity or other claims over, whether in equity or in law, pursuant to the *OSA* or other statute, or otherwise:
- i. the Ontario Settlement Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitutionary award, disgorgement of profits, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
 - ii. this Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of this action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to this action and any determination by this Court in respect of the Proportionate Liability of the Releasees shall only apply in this action and shall not be binding on the Releasees in any other proceedings.
- (c) After the Ontario Proceeding has been certified as a class action and all appeals or times to appeal from such certification have been exhausted, a Non-Settling Defendant may make a motion to the Court on at least twenty (20) days notice, and to be determined as if the Settling Defendant is party to this action, seeking orders for the following:
- i. documentary discovery and an affidavit of documents in accordance with the *Rules of Civil Procedure*, O.Reg. 194 from the Settling Defendant;
 - ii. oral discovery of a representative of the Settling Defendant, the transcripts of which may be read in at trial;
 - iii. leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
 - iv. the production of a representative of the Settling Defendant to testify at trial, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants.

- (d) The Settling Defendant retains all rights to oppose such motion(s) brought under subsection 7.1(1)(c).
- (e) A Non-Settling Defendant may effect service of the motion(s) referred to in subsection 7.1(1)(c) on the Settling Defendant by service on counsel of record for the Settling Defendant in the Ontario Proceeding.
- (f) To the extent that an order is granted pursuant to subsection 7.1(1)(c) and discovery is provided to a Non-Settling Defendant, a copy of all discovery provided, whether oral or documentary in nature, shall promptly be provided by counsel for the Settling Defendant to Class Counsel on behalf of the Plaintiffs.

7.2 Quebec Bar Order

- (1) The Plaintiffs in the Quebec Proceeding shall seek a bar order from the Quebec Court providing for the following:
 - (a) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding expressly waive the benefit of solidarity against the Non-Settling Defendants with respect to the facts, deeds and omissions of the Settling Defendant;
 - (b) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding shall henceforth only be able to claim and recover damages, including punitive damages, attributable to the conduct of the Non-Settling Defendants;
 - (c) any action in warranty or other joinder of parties to obtain any contribution or indemnity from the Settling Defendant or relating to the Released Claims shall be inadmissible and void in the context of the Quebec Proceeding; and
 - (d) the Quebec Court retains an ongoing supervisory role for the purposes of executing this section 7.2, as well as all procedural aspects of the Quebec Proceeding, and all issues regarding this section 7.2 or any other procedural issues shall be resolved under special case management and according to the *Quebec Code of Civil Procedure*, and the Settling Defendant shall acknowledge the jurisdiction of the Quebec Court for such purposes.

7.3 Claims Against Other Persons Reserved

Except as provided herein, this Settlement Agreement does not settle, compromise, release or limit in any way whatsoever any claim by Settlement Class Members against any Person other than the Settling Defendant and the Releasees.

7.4 Material Term

The form and content of the bar orders contemplated in this section 7 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the bar orders contemplated herein shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

SECTION 8 - EFFECT OF SETTLEMENT**8.1 No Admission of Liability**

Whether or not this Settlement Agreement is approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and
- (iii) any action taken to carry out this Settlement Agreement,

shall not be deemed, construed or interpreted to be an admission of any violation of any statute or law, or of any wrongdoing or liability by the Settling Defendant or by any Releasee, or of the truth of any of the claims or allegations contained in the Proceedings or any other pleading filed by the Plaintiffs or any other Settlement Class Member.

8.2 Agreement Not Evidence

The Parties agree that, whether or not approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and

(iii) any action taken to carry out this Settlement Agreement,

shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal or administrative action or proceeding, except in a proceeding to approve and/or enforce this Settlement Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

8.3 No Further Litigation

No Class Counsel, nor anyone currently or hereafter employed by, associated with, or a partner with Class Counsel, may directly or indirectly participate or be involved in or in any way assist with respect to any claim made or action commenced by any Person which relates to or arises from the Released Claims, except in relation to the continued prosecution of the Proceedings against any Non-Settling Defendant. Moreover, these Persons may not divulge to anyone for any purpose any information obtained in the course of the Proceedings or the negotiation and preparation of this Settlement Agreement, except to the extent such information is otherwise publicly available or unless ordered to do so by a court.

SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY

(1) The Parties agree that the Ontario Proceeding shall be certified, and the Quebec Proceeding shall be authorized, as class proceedings solely for purposes of settlement of the Proceedings and the approval of this Settlement Agreement by the Courts.

(2) The Plaintiffs agree that, in the motions for certification of the Ontario Proceeding and for authorization of the Quebec Proceeding as class proceedings and for the approval of this Settlement Agreement, the only common issue that they will seek to define is the Common Issue and the only classes that they will assert are the Settlement Classes.

SECTION 10 - NOTICE TO SETTLEMENT CLASSES

10.1 Required Notice

The proposed Settlement Classes shall be given Notice of Certification/Authorization and Approval Hearings.

10.2 Form and Distribution of Notices

(1) The form of notice referred to in section 10.1 and the manner and extent of publication and distribution of the notice shall be as agreed to by the Plaintiffs and the Settling Defendant and approved by each of the Courts.

(2) The Settling Defendant shall pay the costs of the notice required in section 10.1 and the cost of the Opt-Out Administrator, provided that such costs shall not exceed \$100,000 CAD (exclusive of all applicable taxes). Any costs in excess of \$100,000 CAD (exclusive of all applicable taxes), shall be borne equally by the Settling Defendant and the Plaintiffs.

SECTION 11 - MISCELLANEOUS**11.1 Motions for Directions**

(1) Class Counsel or the Settling Defendant may apply to the Courts for directions in respect of the interpretation, implementation and administration of this Settlement Agreement. Unless the Courts order otherwise, motions for directions that do not relate specifically to the Quebec Proceeding shall be determined by the Ontario Court.

(2) All motions contemplated by this Settlement Agreement shall be on notice to the Plaintiffs and Settling Defendant, as appropriate.

11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings

Class Counsel agrees to provide information as to the status of the Proceedings in response to reasonable requests made by the Settling Defendant from time to time as to the status of the Proceedings. Upon reasonable request, Class Counsel will promptly provide counsel for the Settling Defendant with electronic copies of all affidavit material and facts exchanged in the Proceedings, unless precluded from doing so by court order.

11.3 Headings, etc.

In this Settlement Agreement:

- (a) the division of the Settlement Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Settlement Agreement;

- (b) words in the singular include the plural and vice-versa and words in one gender include all genders; and
- (c) the terms "this Settlement Agreement", "hereof", "hereunder", "herein", and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of this Settlement Agreement.

11.4 Computation of Time

In the computation of time in this Settlement Agreement, except where a contrary intention appears,

- (a) where there is a reference to a number of days between two events, the number of days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

11.5 Ongoing Jurisdiction

- (1) Each of the Courts shall retain exclusive jurisdiction over each Proceeding commenced in its jurisdiction, and over the Parties thereto.
- (2) No Party shall ask a Court to make any order or give any direction in respect of any matter of shared jurisdiction unless that order or direction is conditional upon a complimentary order or direction being made or given by the other Court(s) with which it shares jurisdiction over that matter.
- (3) The Plaintiffs and the Non-Settling Defendant may apply to the Ontario Court for direction in respect of the implementation, administration and enforcement of this Settlement Agreement.

11.6 Governing Law

This Settlement Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario, save for matters relating exclusively to the

Quebec Class Members, which matters shall be governed by and construed and interpreted in accordance with the Laws of the Province of Quebec shall apply.

11.7 Disputes

(1) Subject to subsection 11.7(2) herein, if there is a dispute regarding the applicability of any provision or term of this Settlement Agreement which cannot be resolved through reasonable discussions and negotiations as between Class Counsel and counsel for the Settling Defendant, such dispute(s) shall be submitted to the Ontario Court for resolution, save for dispute(s) relating exclusively to the Quebec Class Members, which dispute(s) shall be submitted to the Quebec Court for resolution. The costs of any such dispute shall be shared by the parties to the dispute according to the degree to which they do or do not prevail on their respective claims (i.e., with the losing party bearing the greater share), as determined by the Ontario Court or the Quebec Court, as the case may be. To the extent that any dispute contemplated in this subsection 11.7(1) involves or requires a determination as to whether any documents or other materials shall be required to be disclosed pursuant to this Settlement Agreement, Class Counsel and counsel for the Settling Defendant agree to seek, on a consent basis, a sealing order or other appropriate relief such as to ensure that any such documents or other materials shall remain confidential and shall not form part of the public Ontario Court record or the Quebec Court record, as the case may be.

(2) To the extent that any dispute contemplated in this section 11.7 involves or requires a determination as to whether any documents, information or other materials are prohibited from being disclosed by the Settling Defendant pursuant to any foreign privacy law, foreign state secrets law or other law of a foreign jurisdiction, Class Counsel and counsel for the Settling Defendant agree to seek, on a joint and reasonable efforts basis, the requisite approval for the disclosure or export of such documents or other materials from the relevant authorities of the applicable foreign jurisdiction.

11.8 Joint and Severable / Indivisible

All of the obligations of the Plaintiffs and the Releasors in this Settlement Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec. All of the obligations of the Settling Defendant and the Releasees in this Settlement

Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec.

11.9 Entire Agreement

This Settlement Agreement constitutes the entire agreement among the Parties, and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Settlement Agreement, unless expressly incorporated herein.

11.10 Amendments

This Settlement Agreement may not be modified or amended except in writing and on consent of all Parties hereto and any such modification or amendment must be approved by the Courts with jurisdiction over the matter to which the amendment relates.

11.11 Binding Effect

This Settlement Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Settling Defendant, the Releasees, the Settlement Class Members, the Releasors and all of their successors and assigns unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11. Without limiting the generality of the foregoing, each and every covenant, condition, release and agreement made herein by the Plaintiffs shall be binding upon all Releasors and each and every covenant, condition, release and agreement made herein by the Settling Defendant shall be binding upon all of the Releasees unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11.

11.12 General Obligation

Without limiting the generality of any other provisions of this Settlement Agreement, until such time as either of the Courts have refused to approve this Settlement Agreement and the

delay for appeal from which shall have expired without any appeal having been lodged: (i) none of the Plaintiffs, the Releasors and Class Counsel shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement; and (ii) none of the Settling Defendant, the Releasees and their respective counsel that are party hereto shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement.

11.13 No Assignment

None of the Plaintiffs and the Releasors has heretofore assigned, transferred or granted, or purported to assign, transfer or grant, any of the claims, demands and causes of action disposed of by this Settlement Agreement including, without limitation, any of the Released Claims.

11.14 Third Party Beneficiaries

The Plaintiffs acknowledge and agree, on their behalf and on behalf of all Releasors, that the Releasees other than the Settling Defendant are third party beneficiaries of this Settlement Agreement, and that the obligations and agreements of the Plaintiffs and the Releasors under this Settlement Agreement are expressly intended to benefit all Releasees despite not being signatories to this Settlement Agreement.

11.15 Counterparts

This Settlement Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Settlement Agreement.

11.16 Negotiated Agreement

This Settlement Agreement has been the subject of negotiations and discussions among the undersigned, each of which has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Settlement Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Settlement Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Settlement Agreement.

11.17 Language

The Parties acknowledge that they have required and consented that this Settlement Agreement and all related documents be prepared in English; les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais. If a French translation is made, the English version will have precedence.

11.18 Transaction

This Settlement Agreement constitutes a transaction in accordance with Articles 2631 and following of the *Civil Code of Quebec*, and the Parties are hereby renouncing to any errors of fact, of law and/or of calculation.

11.19 Recitals

The recitals to this Settlement Agreement are true and form an integral part of the Settlement Agreement.

11.20 Schedules

The Schedules annexed hereto form an integral part of this Settlement Agreement.

11.21 Acknowledgements

Each of the Parties hereby affirms and acknowledges that:

- (a) he, she or a representative of the Party with the authority to bind the Party with respect to the matters set forth herein has read and understands the Settlement Agreement;
- (b) the terms of this Settlement Agreement and the effects thereof have been fully explained to him, her or the Party's representative by his, her or its counsel;
- (c) he, she or the Party's representative fully understands each term of the Settlement Agreement and its effect; and
- (d) no Party has relied upon any statement, representation or inducement (whether material, false, negligently made or otherwise) of any other Party with respect to the first Party's decision to execute this Settlement Agreement.

11.22 Authorized Signatures

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Settlement Agreement.

11.23 Notice

Where this Settlement Agreement requires a Party to provide notice or any other communication or document to another, such notice, communication or document shall be provided by email, facsimile or letter by overnight delivery to the representatives for the Party to whom notice is being provided, as identified below:

For Plaintiffs in the Ontario Proceedings and for Ontario Counsel:

Charles M. Wright

Kirk M. Baert

**Siskinds LLP
Barristers and Solicitors
680 Waterloo Street
London, ON N6A 3V8**

**Koskie Minsky LLP
Barristers and Solicitors
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3**

Telephone: 519-660-7753
Facsimile: 519-660-7754
Email: charles.wright@siskinds.com

Tel: 416.595.2117
Fax: 416.204.2889
Email: kbaert@kmlaw.ca

For Plaintiffs in the Quebec Proceedings and for Quebec Counsel

Simon Hébert

**Siskinds Desmeules s.e.n.c.r.l.
Les promenades du Vieux-Quebec
43 rue Buade, bureau 320
Quebec City, QC G1R 4A2**

Telephone: 418-694-2009
Facsimile: 418-694-0281
Email: simon.hebert@siskindsdesmeules.com

For Settling Defendant
in the Ontario Proceeding:

John J. Pirie

**Baker & McKenzie LLP
Barristers & Solicitors
Brookfield Place
Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario M5J 2T3
Canada**

Telephone: 416.865.2325
Fax: 416.863.6275
Email: john.pirie@bakermckenzie.com

For Settling Defendant
in the Quebec Proceeding

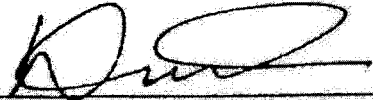
Bernard Gravel


**Lapointe Rosenstein Marchand Melançon,
LLP
1250 René-Lévesque Blvd. West, Suite 1400
Montreal, Quebec, H3B 5E9
Canada**

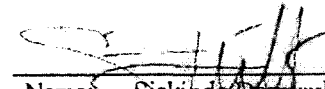
Telephone: 514.925.6382
Fax: 514.925.5082
Email: bernard.gravel@lrmm.com

11.24 Date of Execution


The Parties have executed this Settlement Agreement as of the date on the cover page.

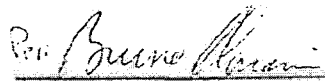
By: 
 Name: Siskinds LLP
 Title: Ontario Counsel

By: 
 Name: Koskie Minsky LLP
 Title: Ontario Counsel

By: 
 Name: Siskinds Desmeules s.e.n.c.r.l
 Title: Quebec Counsel

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

By: *per:* 
 Name: Baker & McKenzie LLP
 Title: Counsel for the Settling Defendant in Ontario

By: 
 Name: Lapointe Rosenstein Marchand Melançon, LLP
 Title: Counsel for the Settling Defendant in Quebec

SCHEDULE A – PROCEEDINGS

Proceeding	Plaintiffs	Defendants	Settlement Class
Ontario Superior Court of Justice Court File No. CV-11-431153-00CP (the "Ontario Proceeding")	The Trustees of the Labourers' Pension Fund of Central And Eastern Canada, the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde Ap-Fonden, David Grant and Robert Wong	Sino-Forest Corporation, Ernst & Young LLP, BDO Limited (formerly known as BDO McCabe Lo Limited), Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc Of America Securities LLC	All persons and entities, wherever they may reside who acquired Sino Forest's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino Forest's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons.
Superior Court of Quebec (District of Québec), File No. 200-06-000132-111 (the "Quebec Proceeding")	Guining Liu	Sino-Forest Corporation, Ernst & Young LLP, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West and Pöyry (Beijing) Consulting Company Limited	All natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec

Proceeding	Plaintiffs	Defendants	Settlement Class
			(other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and Sino-Forest corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at Toronto

**MOTION RECORD OF THE PLAINTIFFS
(Certification for Settlement Purposes
and Notice of Fairness Hearing)**

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754


A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

This is Exhibit "F" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.


A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

**The Trustees of the Labourers' Pension
Fund of Central and Eastern Canada et al
v Sino-Forest Corporation et al
Court File No.: CV-11-431153-00CP**

IIIIVIII

**Motion Records of the Plaintiffs
Certification for Settlement Purposes
and Notice of Fairness Hearing**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE INTERNATIONAL
UNION OF OPERATING ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING
ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO McCabe Lo Limited), ALLEN T. Y. CHAN, W. JUDSON MARTIN, KAI KIT POON,
DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E. HYDE,
EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST, PÖYRY (BEIJING)
CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES (CANADA), INC.,
TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC DOMINION
SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC., MERRILL
LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON PLACEMENTS
CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC and BANC OF AMERICA
SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**MOTION RECORD OF THE PLAINTIFFS
(Motion to Approve Funding Agreement – Returnable April 17, 2012)**

KOSKIE MINSKY LLP
900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC #: 309420)
Tel: (416) 595-2117
Fax: (416) 204-2889
Jonathan Bida (LSUC #: 54211D)
Tel: (416) 595-2072
Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

TO:

Bennett Jones LLP

1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)

Tel: (416) 777-4857

Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)

Tel: (416) 777-4879

Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray, Edmund Mak, W. Judson
Martin, Kai Kit Poon and Peter Wong

AND TO:

Wardle Daley Bernstein LLP

2404-401 Bay Street
P.O. Box 21
Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)

Tel: (416) 351-2771

Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)

Tel: (416) 351-2781

Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO: **Miller Thomson LLP**
Scotia Plaza
40 King Street West, Suite 5800
P.O. Box 1011
Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)
Tel: 416-595-8640
Fax: 416-595-8695

Lawyers for Allen Chan

AND TO: **Osler, Hoskin & Harcourt LLP**
1 First Canadian Place, 61st Floor
Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)
Tel: (416) 862-6454
Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)
Tel: (416) 862-5988
Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO: **Lenczner Slaght Royce Smith Griffin LLP**
2600 - 130 Adelaide Street West
Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)
Tel: (416) 865-2921
Fax: (416) 865-3558

Linda L. Fuerst (LSUC# 22718U)
Tel: (416) 865-3091
Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO: **Torys LLP**
 79 Wellington Street West
 Suite 3000 , Box 270, TD Centre
 Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc of America Securities LLC

AND TO: **Affleck Greene McMurtry LLP**
 365 Bay Street, Suite 200
 Toronto ON M5H 2V1

Peter Greene

Tel: (416) 360-8767

Fax: (416) 360-5960

Kenneth Dekker

Tel: (416) 360-6902

Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO: **Baker & McKenzie LLP**
 Brookfield Place
 Bay/Wellington Tower
 181 Bay Street, Suite 2100
 Toronto ON M5J 2T3

John J. Pirie

Tel: (416) 865-2325

Fax: (416) 865-6275

David Gadsden

Tel: (416) 865-6983

Fax: (416) 865-6275

Lawyers for Pöyry (Beijing) Consulting Company Limited

TABLE OF CONTENTS

TAB	DESCRIPTION
1.	Notice of motion, dated March 8, 2012
2.	Affidavit of Michael G. Robb sworn March 8, 2012
3.	Affidavit of Joseph Mancinelli sworn February 15, 2012
4.	Affidavit of Michael Gallagher sworn March 7, 2012
5.	Affidavit of David Grant sworn February 24, 2012
6.	Affidavit of Robert Wong sworn February 23, 2012
7.	Affidavit of Ingrid Albinsson and Svante Linder sworn February 24, 2012

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**NOTICE OF MOTION
(Motion to Approve Funding Agreement – returnable April 17, 2012)**

The plaintiffs will make a motion to the Honourable Justice Perell on April 17, 2012 at 10:00 a.m., or as soon after that time as the motion can be heard, at Osgoode Hall, 130 Queen Street West, Toronto Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THIS MOTION IS FOR:

- (a) an order approving the litigation funding agreement entered into between the plaintiffs and Claims Funding International, PLC (“CFI”);

- (b) an order protecting the confidentiality of any communication or document passing between class counsel, the current plaintiffs and any additional plaintiffs in this action and CFI;
- (c) an order that despite subrule 30.1.01(3), the plaintiffs and class counsel may provide documents produced in this action to CFI, on condition that CFI and its staff are subject to the deemed undertaking in subrule 30.1.01(3) as if CFI were a party to this proceeding;
- (d) an order directing CFI to provide security for costs; and
- (e) such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

- (f) this action was commenced on July 20, 2011 under the *Class Proceedings Act, 1992*;
- (g) the plaintiffs advance statutory and common law claims, including a claim for conspiracy, and seek damages in the billions on behalf of the putative class;
- (h) cost awards against plaintiffs are common in Ontario class proceedings;
- (i) Ontario courts have ordered costs in the hundreds of thousands of dollars for individual motions;
- (j) it is reasonable to expect that – with 26 defendants – an adverse cost award for this action could range in the millions;
- (k) the size of potential cost awards do not justify acting as plaintiffs in this action without an indemnity for adverse costs;
- (l) the plaintiffs have entered the Litigation Funding Agreement with CFI;
- (m) CFI is a private company with experience providing indemnities to plaintiffs in class actions in Canada and elsewhere;

- (n) pursuant to the funding agreement, CFI has agreed to pay any adverse cost awards against the plaintiffs and to pay \$50,000 towards disbursements;
- (o) in return, CFI would be entitled to 5% of any net recovery in this action up to a maximum of \$5 million if the action is resolved before the pre-trial or 7% of net recovery with a maximum of \$10 million afterwards;
- (p) these terms are more favourable than the 10% statutory levy that would be imposed if the Ontario Class Proceedings Fund provided funding;
- (q) CFI is given no control over the action and, by the agreement, CFI accepts that class counsel's professional duties are owed to the plaintiffs and not CFI;
- (r) the funding agreement goes to great lengths to emphasize the confidentiality of information shared among the plaintiffs, class counsel and CFI;
- (s) in *Dugal v. Manulife Financial Corp.*, 2011 ONSC 1785, the court approved of substantially the same CFI funding agreement in a securities class proceeding;
- (t) sections 12 of the *Class Proceedings Act, 1992*, S.O. 1992, c. 6; and
- (u) such further and other grounds as this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (v) the affidavit of Joseph Mancinelli;
- (w) the affidavit of Michael Gallagher;
- (x) the affidavit of David Grant;
- (y) the affidavit of Robert Wong;
- (z) the affidavit of Ingrid Albinsson and Svante Linder;
- (aa) the affidavit of Michael Robb; and

(bb) such further and other material as counsel may advise and this Honourable Court may permit.

March 8, 2012

KOSKIE MINSKY LLP
900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC #: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

TO: Bennett Jones LLP
1 First Canadian Place
Suite 3400, PO Box 130
Toronto ON M5X 1A4

Robert W. Staley (LSUC# 27115J)

Tel: (416) 777-4857

Fax: (416) 863-1716

Michael Eizenga (LSUC# 31470T)

Tel: (416) 777-4879

Fax: (416) 863-1716

Lawyers for Sino-Forest Corporation, Simon Murray, Edmund Mak, W. Judson Martin, Kai Kit Poon and Peter Wang

AND TO: Wardle Daley Bernstein LLP
2404-401 Bay Street
P.O. Box 21

Toronto ON M5H 2Y4

Peter C. Wardle (LSUC# 26412D)

Tel: (416) 351-2771

Fax: (416) 351-9196

Simon Bieber (LSUC# 56219Q)

Tel: (416) 351-2781

Fax: (416) 351-9196

Lawyers for David J. Horsley

AND TO: Miller Thomson LLP

Scotia Plaza

40 King Street West, Suite 5800

P.O. Box 1011

Toronto, ON M5H 3S1

Emily Cole (LSUC# 34620Q)

Tel: 416-595-8640

Fax: 416-595-8695

Lawyers for Allen Chan

AND TO: Osler, Hoskin & Harcourt LLP

1 First Canadian Place, 61st Floor

Toronto ON M5X 1B8

Larry Lowenstein (LSUC# 23120C)

Tel: (416) 862-6454

Fax: (416) 862-6666

Craig Lockwood (LSUC# 46668M)

Tel: (416) 862-5988

Fax: (416) 862-6666

Lawyers for William E. Ardell, James P. Bowland,
James M.E. Hyde and Garry J. West

AND TO: Lenczner Slaght Royce Smith Griffin LLP

2600 - 130 Adelaide Street West

Toronto ON M5H 3P5

Peter H. Griffin (LSUC# 19527Q)

Tel: (416) 865-2921

Fax: (416) 865-3558

Linda L. Fuerst (LSUC# 22718U)

Tel: (416) 865-3091

Fax: (416) 865-2869

Lawyers for Ernst & Young LLP

AND TO: Torys LLP
79 Wellington Street West
Suite 3000 , Box 270, TD Centre
Toronto ON M5K 1N2

Sheila Block (LSUC# 14089N)

Tel: (416) 865-7319

Fax: (416) 865-7380

John Fabello (LSUC# 35449W)

Tel: (416) 865-8228

Fax: (416) 865-7380

Lawyers for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc. , Credit Suisse Securities (USA) LLC and Banc of America Securities LLC

AND TO: Affleck Greene McMurtry LLP
365 Bay Street, Suite 200
Toronto ON M5H 2V1

Peter Greene

Tel: (416) 360-8767

Fax: (416) 360-5960

Mr. Kenneth Dekker

Tel: (416) 360-6902

Fax: (416) 360-5960

Lawyers for BDO Limited

AND TO: Baker & McKenzie LLP
Brookfield Place, Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto ON M5J 2T3

John J. Pirie

Tel: (416) 865-2325

Fax: (416) 865-6275

David Gadsden

Tel: (416) 865-6983

Fax: (416) 865-6275

Lawyers for Pöyry (Beijing) Consulting Company Limited

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**NOTICE OF MOTION
(Motion to Approve Funding Agreement
– returnable April 17, 2012)**

KOSKIE MINSKY LLP

900-20 Queen Street West, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC#: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N :

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly known
as BDO MCCABE LO LIMITED), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI KIT
POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND, JAMES M.E.
HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J. WEST,
PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE SECURITIES
(CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES CORPORATION, RBC
DOMINION SECURITIES INC., SCOTIA CAPITAL INC., CIBC WORLD MARKETS INC.,
MERRILL LYNCH CANADA INC., CANACCORD FINANCIAL LTD., MAISON
PLACEMENTS CANADA INC., CREDIT SUISSE SECURITIES (USA) LLC, and BANC OF
AMERICA SECURITIES LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

**AFFIDAVIT OF MICHAEL ROBB
(SWORN MARCH 8, 2012)**

I, MICHAEL ROBB, of the City of London, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am a partner with the law firm of Siskinds LLP ("Siskinds"), co-counsel for the
Plaintiffs in this proceeding (the "Action"). As such, I have knowledge of the matters
herein deposed. Where my knowledge is based on information obtained from others, I
have so indicated and believe that information to be true.

2. Capitalized terms that I use in this affidavit, but that are not specifically defined herein, have the meanings attributed to them in the Litigation Funding Agreement (the "Agreement"). A true copy of the Agreement is attached hereto as **Exhibit "A"**.
3. In negotiating the terms of this Agreement on behalf of our clients we took into account the level of potential costs exposure to CFI at various stages of the litigation against potential recovery, and considered the alternative of applying to the Class Proceedings Fund for protection from adverse costs awards.

NOTICE TO SHAREHOLDERS

4. Siskinds has written to certain potential Class Members to advise them of the Agreement and of the motion for its approval. These potential Class Members represent the institutions we believe to be Sino-Forest Corporation's ("Sino-Forest") twenty largest independently-run institutional investors, as measured by the number of Sino-Forest securities held during the proposed Class Period.
5. This "top twenty" list was determined as follows:
 - (a) On February 14, 2012, we obtained an investor list from Mr. John Rule of Targeted Inc. Targeted, Inc. maintains a database of institutional and insider shareholders of listed companies in Canada. This data is derived from the regulatory filings of these shareholders. Mr. Rule advised us that he compiled all known regulatory reporting data from all known reporting institutional and insider shareholders of Sino-Forest as of June 30, 2011.


- (b) Using the list provided to us by Targeted Inc., we sorted the shareholders by the highest number of shares they reportedly held during the Class Period. The list has been attached hereto as **Exhibit "B"**.
6. The majority of the mailing addresses for the corporate shareholders were collected from the Targeted Inc. website. We also cross-checked the mailing addresses of these shareholders against the shareholders' corporate websites. Where Targeted Inc. and the shareholder's own website provided different addresses, we mailed letters to the address as reported by the shareholder itself. Attached hereto as **Exhibit "C"** is a copy of the letter sent to the aforementioned shareholders on February 22, 2012.
7. We had not received any shareholder responses to this letter as of my swearing of this Affidavit on March 8, 2012.
8. Of the twenty institutional entities mentioned, five are members of The Canadian Coalition for Good Governance ("CCGG"), namely: BlackRock; Canada Pension Plan Investment Board; Connor, Clark & Lunn; Mackenzie Financial Corporation; and McLean Budden Ltd.
9. The CCGG promotes good governance practices in Canadian public corporations. According to the CCGG's website, www.ccg.ca, which I viewed on March 7, 2012, there are currently 48 members of the CCGG that collectively manage nearly \$2 trillion in assets on behalf of Canadian investors. The stated objectives of the CCGG are to:
- (a) Work to improve the way that Canadian public companies govern themselves, and the regulatory framework in which they operate, to ensure that the interests of their shareholders are key considerations in business decisions and the use of corporate assets;

- (b) Be a constructive partner with boards and management and encourage leading companies to adopt the highest standards of governance and act as role models. The CCGG will generally not publicly target the deficiencies of specific companies, but will privately engage them in a thoughtful discussion of our governance guidelines;
- (c) Work with companies and policy makers to ensure that Canadian public companies have governance practices and a regulatory framework that meet or exceed global "best practices"; and
- (d) Be the "voice" of the Canadian "buy side" on governance matters to boards, management, corporate advisers, regulators, governments, and other relevant audiences.

CONCLUSION

10. I swear this affidavit in support of the Plaintiffs' motion for approval of the Agreement and for no other or improper purpose.

SWORN OR AFFIRMED before)
 me at the City of London, in the)
 Province of Ontario, this 8th day of)
 March, 2012.)
)
)
)
)
)
)
)



 A Commissioner, etc.



 Michael Robb

This is Exhibit "A" mentioned and referred to in the Affidavit of Michael Robb, sworn before me at the City of London, in the County of Middlesex, this 8th day of March, 2012.



A Commissioner, etc.

LITIGATION FUNDING AGREEMENT

BETWEEN:

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT and ROBERT WONG

Plaintiffs

- and -

CLAIMS FUNDING INTERNATIONAL, PLC

Funder

RECITALS

The Trustees of The Labourers' Pension Fund of Central and Eastern Canada, the Trustees of The International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde AP-Fonden, David Grant and Robert Wong (collectively, the "Plaintiffs") have or may have a claim against Sino-Forest Corporation, Ernst & Young LLP, BDO Limited, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC, and Banc of America Securities LLC (collectively, the "Defendants"), as representative plaintiffs on behalf of the Class, as defined below, in a class action litigation conducted pursuant to the Ontario *Class Proceedings Act*, 1992, S.O. 1992, c. 6.

A. The Plaintiffs commenced two class proceedings in the Ontario Superior Court of Justice (the "Court") under court file numbers CV-11-431153-00CP and CV-11-439400-00CP, against the Defendants by way of Notices of Action, issued, respectively, on July 20, 2011 and November 14, 2011, and have been granted leave to consolidate those actions. The consolidated action will proceed under court file number CV-11-431153-00CP (the "Proceeding", but specifically excluding, unless otherwise indicated by the Funder pursuant to clause 6.3 below, any appeal or the defence of any appeal from a final judgment or any further appeal or the defence of any further appeal arising therefrom).

B. The Plaintiffs are concerned about their exposure to an Adverse Costs Order in the Proceeding.

C. Claims Funding International, PLC (the "Funder") has a stated corporate objective of providing access to justice for the victims of corporate misconduct.

D. The Funder has agreed to pay:

- (i) \$50,000 for out of pocket expenses incurred by the Plaintiffs in the proceeding; and
- (ii) any Adverse Costs Order

on the terms set out in this Litigation Funding Agreement (“Agreement”) and, as a condition of doing so, has requested that the Plaintiffs seek Court approval of the within Agreement.

TERMS

1. Definitions:

1.1 In this Agreement, unless a contrary intention appears elsewhere herein, the following terms have the meanings specified below:

- (a) “**Administration Expenses**” means all fees, disbursements, expenses, costs, taxes and any other amounts incurred or payable relating to implementation and administration of the Settlement or judgment, as the case may be, including the costs of publishing and delivering notices, the fees, disbursements and taxes paid to the Administrator, and any other associated expenses approved by the Court as being payable from the Resolution Sum.
- (b) “**Adverse Costs Order**” means any Costs Order made in the Proceeding against the Plaintiffs and in favour of the Defendants or any other party to the Proceeding in respect of costs incurred during the Term of Agreement, including applicable legal fees, disbursements and taxes;
- (c) “**Beneficial Costs Order**” means any Costs Order not subject to appeal made in a Proceeding against the Defendants and in favour of the Plaintiffs in respect of costs incurred during the Term of Agreement, including applicable taxes;
- (d) “**Claim**” or “**Claims**” means the allegations the Plaintiffs, and each Class Member, have made or may make against the Defendants arising out of, or connected with, the facts plead in the Proceeding, or any amendment thereto made on notice to the Funder;
- (e) “**Class**” or “**Class Members**” mean all persons and entities, wherever they may reside, who acquired Sino’s Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino’s Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition other than the Excluded Persons, or such other definition as may be approved by any court, including, for the purposes of Settlement, any definition agreed upon by the parties to the Settlement. If no agreement is reached and/or no order is made which identifies the persons and entities represented by the Plaintiffs in the Proceeding, or if the group overlaps with the group in another action, such a determination will be sought by motion to the Court on Notice to the Parties;

- (f) **“Commission”** means the consideration paid to the Funder for providing Funding, namely:
- (i) where the Resolution occurs at any time prior to the filing of the Plaintiffs’ pre-trial conference brief and:
 - (A) concerns only the Proceeding, 5% of the proportion of the Net Resolution Sum allocated to the Class Members to a maximum amount of the Commission Cap; or
 - (B) concerns other actions in addition to the Proceeding, 5% of the compensation paid to each Class Member from the Net Resolution Sum to a maximum amount of the Commission Cap, unless the Commission can otherwise be determined in a manner satisfactory to all parties to the Resolution;
 - (ii) where the Resolution occurs at any time on or after the filing of the Plaintiffs’ pre-trial conference brief and:
 - (A) concerns only the Proceeding, 7% of the proportion of the Net Resolution Sum allocated to the Class Members to a maximum amount of the Commission Cap; or
 - (B) concerns other actions in addition to the Proceeding, 7% of the compensation paid to each Class Member from the Net Resolution Sum to a maximum amount of the Commission Cap, unless the Commission can otherwise be determined in a manner satisfactory to all parties to the Resolution;
- (g) **“Commission Cap”** is:
- (i) Cdn \$5,000,000, if Resolution occurs at any time prior to the filing of the Plaintiffs’ pre-trial conference brief; and
 - (ii) Cdn \$10,000,000, if Resolution occurs at any time thereafter.
- Any Commission paid on any partial Resolution shall be considered in calculating the Commission payable on any subsequent Resolution. The Commission Cap shall apply to the aggregate, not the individual, Commission payments;
- (h) **“Costs Order”** means an order made by the Court requiring one or more parties to the Proceeding to pay some or all of the costs incurred by another party or parties to the Proceeding;
- (i) **“Date of Commencement”** means the date on which this Agreement is approved by the Court;

- (j) **“Excluded Persons”** means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an Individual Defendant;
- (k) **“Final Resolution”** means when all Claims asserted in the Proceeding are fully and finally extinguished or dismissed by Settlement or judgment of a court;
- (l) **“Funding”** means the Funder’s undertaking to pay:
 - (i) \$50,000 for out of pocket expenses incurred by the Plaintiffs in the proceeding; and
 - (ii) any Adverse Costs Orderin accordance with clause 4.1 below;
- (m) **“Individual Defendants”** means Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West, collectively;
- (n) **“Lawyers”** means the law firms of Siskinds LLP and Koskie Minsky LLP separately or collectively, or any firm of lawyers appointed in their place by the Plaintiffs after providing notice of the intent to change Lawyers to the Funder;
- (o) **“Net Resolution Sum”** means the Resolution Sum less (i) Lawyers’ fees and disbursements, including HST; and (ii) Administration Expenses;
- (p) **“Party”** or **“Parties”** means the parties to this Agreement, namely, the Plaintiffs, including their successor trustees, and the Funder;
- (q) **“Privilege”**, unless the context otherwise requires, means solicitor-client privilege, litigation privilege and settlement communication privilege;
- (r) **“Resolution”** means a Settlement, or judgment issued by a court, that resolves the Claim or part of the Claim in favour of the Plaintiffs;
- (s) **“Resolution Sum”** means the gross amount or amounts, or the value of any goods or services, for which the Claim or part of the Claim is settled, or for which judgment is given, in favour of the Plaintiffs, including the value of any favourable terms of future supply of goods or services and including any interest, but specifically excluding costs recovered by the Plaintiffs pursuant to a Costs Order;
- (t) **“Settlement”** means an agreement which provides for the resolution of the Claim or part of the Claim which is approved by a court following provision of advice from the Lawyers that such agreement is reasonable having regard to all contingencies, and includes any compromise, discontinuance or waiver of the Claim or part of the Claim. “Settles” shall be construed accordingly;

- (u) **“Term of Agreement”** means the period of time in which the Agreement is in full force and effect, namely, the period beginning on the Date of Commencement and continuing in operation until:
- (i) the Proceeding, and any appeal funded by the Funder, reaches a Final Resolution;
 - (ii) the Funder has complied with all of its obligations arising pursuant to this Agreement; and
 - (iii) the Commission has been paid to the Funder;
- OR alternatively,
- (iv) the Termination of the Agreement as provided in clauses 11 and 12;
- (v) **“Termination”** means,
- (i) a cessation of the effect of this Agreement in accordance with clauses 11 or 12 herein; and
 - (ii) any completion, failure, avoidance, rescission, annulment or other cessation of the effect of this Agreement; and,
- (w) **“Termination Notice”** means the written notice, served, by either the Funder or the Plaintiffs upon the other in accordance with their rights under this agreement, seven (7) days in advance of the date upon which either Party elects that the Agreement and all obligations thereunder are to be terminated.

2. General:

- 2.1 The written terms of this Agreement constitute the entire agreement between the Parties.
- 2.2 There shall be no variation or amendment to the terms of this Agreement except in writing signed by each Party.
- 2.3 If any provision of this Agreement, or the application thereof to any person or circumstances, is or becomes invalid or unenforceable, the remaining provisions shall not be affected and each provision shall be valid and enforceable to the full extent permitted by law.
- 2.4 The Plaintiffs and the Funder will promptly execute all documents and do all things that either of them from time to time reasonably requires of the other to effect, perfect or satisfy the provisions of this Agreement and any transaction contemplated by it.
- 2.5 Nothing in this Agreement shall constitute the Parties as partners, joint venturers or fiduciaries.

2.6 The singular includes the plural and vice versa.

3. Plaintiffs' Obligations:

3.1 Subject to applicable law, in recognition of the fact that the Funder has an interest in the Resolution Sum and an interest in the efficient and effective prosecution of the Proceeding, the Plaintiffs irrevocably direct the Lawyers to advise the Funder with regard to any significant issue in the Proceeding such as prospects, strategy, quantum, proof and any material change thereof. The Plaintiffs also irrevocably direct the Lawyers to promptly respond to any reasonable request by the Funder for information relating to the Proceeding. Notwithstanding the above:

- (a) the Plaintiffs shall retain and provide instructions to the Lawyers;
- (b) the Funder accepts that the Lawyers' professional duties are owed to the Plaintiffs and not to the Funder; and
- (c) the Plaintiffs shall remain as the representative plaintiffs in the Proceeding unless the Court orders otherwise.

3.2 The Plaintiffs must:

- (a) conduct the Proceeding in a manner that avoids unnecessary cost and delay;
- (b) provide full and honest instructions to the Lawyers; and
- (c) inform the Lawyers of any change in their contact information or of any detail, circumstance or change in circumstances likely to affect any issue in the Proceeding.

3.3 The Plaintiffs agree that all information, communication or documents provided to them at any time (i) by the Funder or its respective officers, servants or agents in relation to the Claim and/or this Agreement; or (ii) by the Lawyers in relation to this Agreement is subject to Privilege.

3.4 Other than as ordered by a court, the Plaintiffs will not disclose any information, to which clause 3.3 refers, to any other person without the prior written consent of the Funder (if the information was provided by it) or the Lawyers (if the information was provided by them).

3.5 For further clarity, the obligations in clauses 3.3 and 3.4 survive any Termination.

3.6 The Plaintiffs irrevocably authorize and require the Lawyers to:

- (a) immediately, upon its execution, seek court approval of this Agreement;
- (b) immediately report to the Funder the joining or removal of any party to the Proceeding;

- (c) receive any funds payable by the Defendants as a result of any Beneficial Costs Order(s); and
- (d) upon Final Resolution, pay the amounts in clause 8.1 of this Agreement.

4. Funding:

4.1 The Funder will pay:

- (a) \$50,000 for out of pocket expenses incurred by the Plaintiffs in the proceeding; and
- (b) any Adverse Costs Order.

4.2 If a Beneficial Costs Order is issued, such funds shall be considered as a first credit towards any future Adverse Costs Order(s), such that the Funder, in satisfying its obligations under clause 4.1, shall only pay the remainder of any subsequent Adverse Costs Order after subtraction of the total of the Beneficial Costs Orders issued to date.

5. Privilege and Confidentiality:

5.1 Information provided to the Funder pursuant to the Agreement, is subject to Privilege and in order to maintain that Privilege, the Funder shall:

- (a) strictly maintain the confidentiality of the information;
- (b) adopt proper and effective procedures for maintaining the confidentiality and safe custody of the information;
- (c) ensure that access to the information is only provided to the Funder's directors, officers and/or employees who are engaged in functions connected to the implementation of this Agreement;
- (d) only use the information for the purpose for which it was provided;
- (e) not disclose the information to any person other than Plaintiffs and/or the Lawyers retained in the Proceeding; and
- (f) return all records, copies or duplicates, of the information to the Plaintiffs upon the Final Resolution of the Proceeding.

6. Appeals

6.1 If the Proceeding is wholly or partly unsuccessful, or any appeal from the Proceeding is wholly or partly unsuccessful, and the Lawyers advise that there are reasonable grounds to appeal, or further appeal, as the case may be, a final judgment, the Plaintiffs agree that although the Lawyers may commence and prosecute an appeal or further appeal on the Plaintiffs' behalf or for the benefit of the Plaintiffs, the Funder is not obliged to provide Funding for any appeal from a final judgment unless it independently decides to do so.

- 6.2 If the Proceeding is wholly or partly successful, or any appeal from the Proceeding is wholly or partly successful and the Defendants lodge an appeal from a final judgment, the Plaintiffs agree that although the Lawyers may defend such appeal or further appeal on the Plaintiffs' behalf or for the benefit of the Plaintiffs, the Funder is not obliged to provide Funding for any appeal from a final judgment unless it decides independently to do so.
- 6.3 The Funder may elect to fund any appeal or the defence of any appeal or any further appeal or the defence of any further appeal in respect of a final judgment in the Proceeding by notice in writing to the Plaintiffs.
- 6.4 If the Funder elects to provide Funding for an appeal pursuant to clause 6.3, such Funding will be on the terms of the Agreement, and the term "Proceeding" wherever used in this Agreement will be treated as including a reference to the appeal which is the subject of the election.
- 6.5 Should the Funder not elect to fund any appeal or the defence of any appeal or any further appeal or the defence of any further appeal in respect of a final judgment in the Proceeding, the Funder shall only be entitled to a Commission in respect of any Resolution reached prior to such appeal not being the judgment appealed from, and shall not be entitled to a Commission in respect of any Resolution reached as a result of such appeal or the defence of such appeal.

7. Receipt of Resolution Sum

7.1 The Plaintiffs:

- (a) acknowledge that the conduct of the Proceeding will or may encourage the Defendants to seek to compromise the Plaintiffs' Claim(s); and
- (b) irrevocably authorize and direct the Lawyers to receive any Resolution Sum, paid in compromise for the Plaintiffs' Claim(s), and to immediately pay any Resolution Sum into an account kept for that purpose.

7.2 The Plaintiffs irrevocably authorize and direct the Lawyers to pay out of the account referred to in clause 7.1(b), above, all payments referred to in clause 8.1.

7.3 If the Resolution Sum is not money, the monetary value of the Resolution Sum received will be calculated by reference to the reasonable market value of the Resolution Sum. The Resolution Sum shall then be distributed, and any Commission paid, in proportion to its equivalent monetary value.

8. Commission

8.1 Upon Final Resolution, the Lawyers, or administrator as the case may be, shall pay the sum of \$50,000 from the Resolution Sum and pay the Commission to the Funder from the Net Resolution Sum, as soon as practicable, and in any event prior to the distribution of the Net Resolution Sum to Class Members.

8.2 No fees, commissions or other payments will become due or owing by the Plaintiffs to the Funder, other than those provided for in clauses 8.1.

9. No Charge or Other Encumbrance

9.1 The Plaintiffs warrant that there is no charge or other encumbrance on the Net Resolution Sum as at the date of this Agreement.

9.2 The Plaintiffs will not cause or permit any charge, lien or other encumbrance to arise over or otherwise attach to the Net Resolution Sum after the date of this Agreement, except with the prior written consent of the Funder.

10. Good Faith Dealings

10.1 The Plaintiffs and the Funder will:

- (a) act in good faith toward each other and be just and faithful in their dealings with each other in all matters arising out of or connected with this Agreement; and
- (b) save as provided in this Agreement, not do or permit to be done anything likely to deprive any Party of the benefit for which the Party entered into this Agreement.

10.2 If this Agreement or any part thereof is annulled, avoided or held unenforceable the Plaintiffs will forthwith do all things necessary, including without limitation executing any further or other agreement or instrument, to ensure that the Funder receives any remuneration, entitlement or other benefit to which this Agreement refers or is contemplated by this Agreement. The Plaintiffs irrevocably agree that production of a copy of this Agreement shall be conclusive evidence of the Plaintiffs' undertaking as set out in this clause.

10.3 The Plaintiffs will not seek any order from any court that may detrimentally affect the Funder's rights under this Agreement other than with the consent of the Funder.

10.4 If the Plaintiffs act in breach of this Agreement, clauses 7 and 8 will continue to apply to any Resolution Sum received by the Plaintiffs in respect of the Claim, unless the Funder elects to terminate this Agreement pursuant to clause 11.1, below.

10.5 The Plaintiffs and the Funder will keep the contents of this Agreement confidential in so far as it concerns the terms of the relationship between the Plaintiffs and the Funder, except where disclosure is required by law or disclosure is, in the Funder's absolute discretion, made by the Funder to the Defendants or their agents.

11. Termination by the Funder

11.1 If the Plaintiffs,

- (a) do not fulfill their obligations as stipulated in clause 3 above; or

(b) appoint different Lawyers to replace the present Lawyers;

the Funder may elect to terminate this Agreement by serving a Termination Notice upon the Plaintiffs. Termination shall become effective as of the seventh day after service of the Termination Notice.

- 11.2 If the Funder does not elect to fund any appeal of a final judgment or the defence of any appeal of a final judgment in respect of the Proceeding, the Funder shall terminate this Agreement by serving a Termination Notice upon the Plaintiffs. Termination shall become effective as of the seventh day after service of the Termination Notice.
- 11.3 All obligations of the Funder under this Agreement cease on the date the Termination becomes effective, save for obligations accrued to that date.
- 11.4 If the Funder terminates this Agreement and its obligations pursuant to clause 11.1 above then it shall not be entitled to a Commission on account of any Resolution achieved after the Termination becomes effective.
- 11.5 If the Funder terminates this Agreement and its obligations pursuant to clause 11.2 above then it shall only be entitled to a Commission in respect of any Resolution reached prior to such appeal and shall not be entitled to a Commission in respect of any Resolution reached as a result of such appeal or the defence of such appeal.
- 11.6 The accrued obligations of the Funder referred to in clause 11.3 comprise of an obligation to pay any Adverse Costs Order in the Proceeding in respect of costs which arise in, or are attributed to, the period beginning on the Date of Commencement and ending on the date the Funder's termination becomes effective.

12. Termination by Plaintiffs

- 12.1 If the Funder does not fulfill its obligations as stipulated in clauses 4 and 5, and does not remedy the breach within thirty (30) days after receiving written notice from the Plaintiffs, the Plaintiffs may terminate this Agreement by serving a Termination Notice upon the Funder. Termination shall become effective as of the seventh day after service of the Termination Notice.
- 12.2 If this Agreement is terminated by the Plaintiffs pursuant to clause 12.1 above then:
- (a) the Funder remains liable for the obligations referred to in clause 11.3 above; and
 - (b) the Plaintiffs will not be required to make any payment to the Funder under clause 8 above.

13. Governing Law

- 13.1 All matters related to this Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without regard to the conflict of laws or principles thereof, and are subject to the exclusive jurisdiction and venue of the courts of Canada in the Province of Ontario.

13.2 For the purpose of all legal proceedings, this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario shall have jurisdiction to entertain any action arising under this Agreement. Specifically, by executing this Agreement, the Funder hereby attorns to the exclusive jurisdiction of the courts of the Province of Ontario.

14. Disputes Arising from this Agreement

14.1 Disputes arising from this agreement shall be determined upon a motion before the Court on Notice to the Parties to this Agreement.

15. Notices

15.1 All notices given under this Agreement shall be in writing and may be served personally, by post, facsimile or by e-mail.

15.2 The Funder shall serve on the Lawyers a copy of any Termination Notice given or received by the Funder.

15.3 The Plaintiffs shall serve on the Lawyers a copy of any Termination Notice given or received by the Plaintiffs.

15.4 The address for service of the Funder will be:

30 Pembroke Street Upper
Dublin 2
Ireland
Tel: +353.1.234.2523
Fax: +353.1.234.2589
Email: pkoutsoukis@claimsfunding.eu

15.5 The addresses for service of the Plaintiffs will be:

(A) Attn: Dimitri Lascaris
Siskinds LLP
680 Waterloo St.
London, ON N6A 3V8
Tel: 519.660.7844
Fax: 519.660.7845
Email: dimitri.lascaris@siskinds.com;

(B) Attn: Kirk Baert
Koskie Minsky LLP
20 Queen Street West
Suite 900
Toronto, ON M5H 3R3
Tel: 416-595-2117

Fax: 416-204-2889
Email: kbaert@kmlaw.ca

- 15.6 The address for service of the Lawyers shall be the same as the address for service of the Plaintiffs as specified in clause 15.5, above.
- 15.7 Notices shall be deemed to be received on the day after they are posted and the day they are transmitted by facsimile or e-mail.

16. Computation of Time


- 16.1 In the computation of time in this Agreement, except where a contrary intention appears,
- (a) where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
 - (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

17. Counterparts

- 17.1 This Agreement may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument.
- 17.2 A facsimile transmission of this Agreement signed by any Party will be treated as an original signed by that Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, or caused this Agreement to be executed by their duly authorized counsel, dated as of _____, 2012.

SIGNED, SEALED AND DELIVERED
in the presence of:



Witness Signature

Michael Mazzuca


Witness Name (please print)

Witness Signature

Witness Name (please print)

Witness Signature

Witness Name (please print)



The Trustees of The Labourers Pension
Fund of Central and Eastern Canada

Per:

The Trustees of The International Union of
Operating Engineers Local 793 Pension
Plan for Operating Engineers

Per:

Sjunde AP-Fonden

Per:

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, or caused this Agreement to be executed by their duly authorized counsel, dated as of _____, 2012.


SIGNED, SEALED AND DELIVERED
in the presence of:

Witness Signature

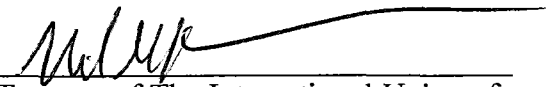
The Trustees of The Labourers Pension
Fund of Central and Eastern Canada

Witness Name (please print)

Per:



Witness Signature



The Trustees of The International Union of
Operating Engineers Local 793 Pension
Plan for Operating Engineers

MELISSA ATKINS-MANNING

Witness Name (please print)

Per:

Witness Signature

Sjunde AP-Fonden

Witness Name (please print)

Per:

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement, or caused this Agreement to be executed by their duly authorized counsel, dated as of _____, 2012.

SIGNED, SEALED AND DELIVERED)
in the presence of:)

Witness Signature)

The Trustees of The Labourers Pension Fund of Central and Eastern Canada

Witness Name (please print))

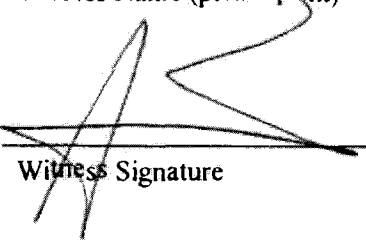
Per:)

Witness Signature)

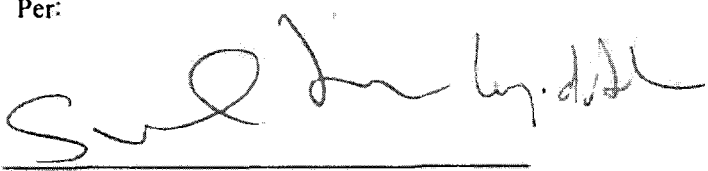
The Trustees of The International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers

Witness Name (please print))

Per:)



Witness Signature)



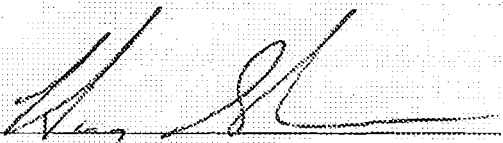
Sjunde AP-Fonden)

Anders Minsson


Witness Name (please print))

Svanthe Linder)
Ingrid Albinsson)

Per:)



Witness Signature



David Grant

Henry Sahn

Witness Name (please print)

Witness Signature

Robert Wong

Witness Name (please print)

Witness Signature

Claims Funding International, PLC

Witness Name (please print)

Per:

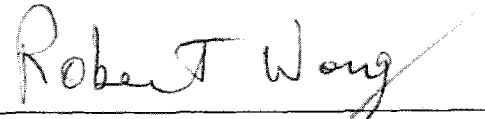
Witness Signature

David Grant


Witness Name (please print)



Witness Signature



Robert Wong



Witness Name (please print)

Witness Signature

Claims Funding International, PLC

Witness Name (please print)

Per:

Witness Signature

David Grant

Witness Name (please print)

Witness Signature

Robert Wong

Witness Name (please print)

[Handwritten Signature]

Witness Signature

[Handwritten Signature]

Claims Funding International, PLC

Jane Zewe

Witness Name (please print)

Per:

This is Exhibit "B" mentioned and referred to in the Affidavit of Michael Robb, sworn before me at the City of London, in the County of Middlesex, this 8th day of March, 2012.



A Commissioner, etc.

680 Waterloo Street, London, ON N6A 3V8

SISKINDSTHE
LAW
FIRM

No.	Investor Name	Contact Information
1	Paulson & Company Inc.	590 Madison Avenue, 29 th Floor New York, NY 10022
2	Davis Funds	Davis Distributors, LLC 2949 East Elvira Road, Suite 101 Tucson, AZ 85756
3	Temasek Holdings (Private) Ltd.	60B Orchard Road, #06-18 Tower 2 Singapore 238891
4	Fidelity International Ltd.	82 Devonshire Street Boston, MA 02109
5	The Capital Group Companies	333 South Hope Street, 55 th Floor Los Angeles, CA 90071
6	Ivy Funds	6300 Lamar Avenue Shawnee Mission, KS 66202-4247
7	Bessemer Trust	630 Fifth Avenue New York, NY 10111
8	Canada Pension Plan Investment Board	1 Queen Street East, Suite 2700 PO Box 101 Toronto, ON M5C 2W5
9	Mackenzie Financial Corporation	150 Bloor Street West, Suite M111 Toronto, ON M5S 2X9
10	Blackrock	103 Bellevue Parkway, Suite 152 Wilmington, DE 19809
11	Dimensional Fund Advisors	Palisades West 6300 Bee Cave Road, Building One Austin, TX 78746
12	McLean Budden Ltd	145 King Street West, Suite 2525 Toronto, ON M5H 1J8
13	Horizons Exchange Traded Funds	26 Wellington Street East, Suite 920 Toronto, ON M5E 1S2

DIRECT
TELEPHONE (519) 660-7824
FACSIMILE (519) 660-7825

HEAD OFFICE
TELEPHONE (519) 672-2121
FACSIMILE (519) 672-6065

14	Dynamic Funds	1 Adelaide Street East, 29 th Floor Toronto, ON M5C 2V9
15	Oppenheimer Funds	498 7 th Avenue New York, NY 10018
16	Caisse de depot et placement du Quebec	Edifice Price 65, rue Sainte-Anne, 14e etage Quebec, QC G1R 3X5
17	Henderson Global Investors	3 Finsbury Avenue London EC2M 2PA UNITED KINGDOM
18	Invesco	5140 Yonge Street, Suite 900 Toronto, ON M2N 6X7
19	Connor, Clark & Lunn Financial Group	181 University Avenue, Suite 300 Toronto, ON M5H 3M7
20	CI Investments	2 Queen Street East, 20 th Floor Toronto, ON M5C 3G7

680 Waterloo Street, London, ON N6A 3V8

SISKINDS | THE
LAW
FIRM

EMAIL charles.wright@siskinds.com

File no. 832700

Delivered By Regular Mail

February 21, 2012

Dear Sirs/Mesdames:

Re: *The Trustees of the Labourers' Pension Fund of Central and Eastern Canada v. Sino-Forest Corp., et al.*
Court File No. CV-11-431153-00CP

Our law firm represents the Plaintiffs in a proposed class proceeding against Sino-Forest Corporation ("Sino"), Ernst & Young LLP, BDO Limited (formerly known as BDO McCabe Lo Limited), Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsely, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Poyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC, and Banc of America Securities LLC.

In this action, the Plaintiffs seek to recover damages suffered by a class of investors whose securities declined in value as a result of alleged misrepresentations made and disseminated by the Defendants concerning Sino's compliance with Canadian GAAP. This proposed Class is defined as:

All persons and entities, wherever they may reside who acquired Sino's Securities¹ during the Class Period² by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons³.

A copy of the Statement of Claim can be found on our website at www.classaction.ca.

¹ "Sino's Securities" includes Sino's common shares, notes or other securities, as defined in Ontario's securities legislation.

² The "Class Period" is defined as the period from and including March 19, 2007 to and including June 2, 2011.

³ "Excluded Persons" includes the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of any individual defendant.

DIRECT
TELEPHONE (519) 660-7753
FACSIMILE (519) 660-7754

HEAD OFFICE
TELEPHONE (519) 672-2121
FACSIMILE (519) 672-6065

1772967.1

680 Waterloo Street, London, ON N6A 3V8

SISKINDS | THE
LAW
FIRM

You are receiving this letter as a result of a search that we performed using a securities database that indicated that you are, or were at the material time, an institutional shareholder of Sino Securities.

The Plaintiffs anticipate bringing a motion that will seek an order approving a Litigation Funding Agreement (the "Agreement") that was negotiated with a third-party funder, Claims Funding International ("CFI"). Pursuant to this Agreement, CFI has agreed to pay any adverse costs awards that may be assessed against the Plaintiffs in the proceeding, as well as CAD\$50,000 toward disbursements, in exchange for a commission representing 5% (five per cent) of any judgment or settlement achieved in favour of the class prior to the filing of the Plaintiffs' pre-trial conference brief or 7% (seven per cent) of any favourable judgment or settlement achieved thereafter. A similar agreement was approved by Justice George Strathy of the Ontario Superior Court in *Dugal v. Manulife et al.* That decision can be found on our website at:

http://www.classaction.ca/CMSFiles/PDF/Securities/Manulife/Reasons_-_Litigation_Funding_Agreement.PDF

Enclosed hereto is a copy of the Agreement that we intend to present to a judge at the hearing of the above-mentioned motion, which will be held at a time and place to be fixed.

Should you wish to express either your support for or opposition to the enclosed Agreement, or should you have any questions with regard to the Agreement, we encourage you to write to us at the address stated above. We intend to provide a copy of your correspondence to the Court in order to assist in its assessment of the fairness and reasonableness of the Agreement. In the event that you would like to appear at this motion, please contact us for further details.

Yours truly,

Siskinds LLP



Per:

Charles Wright

Enclosure

TRUSTEES OF THE LABOURERS' PENSION FUND and SINO-FOREST CORPORATION *et al.*
OF CENTRAL AND EASTERN CANADA *et al.*
Plaintiffs Defendants

Court File No: CV-11-431153-00CP

ONTARIO
SUPERIOR COURT OF JUSTICE
Proceeding commenced at Toronto
Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL ROBB

Siskinds LLP

Barristers & Solicitors

680 Waterloo Street

London, ON N6A 3V8

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

Koskie Minsky LLP

20 Queen Street West, Suite 900, Box 52

Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Ptak (LSUC#: 45773F)

Tel: 416-595.2149

Fax: 416.204.2903

Lawyers for the Plaintiffs

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF JOSEPH MANCINELLI

I, JOSEPH MANCINELLI, of the City of Hamilton, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the chair of the board of trustees of the Labourers' Pension Fund of Central and Eastern Canada (the "Labourers Fund"), plaintiffs in this action and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

Nature Of The Action

2. The Labourers Fund is a Canadian multi-employer pension funds representing 52,100 active, retired, inactive and deferred vested members in Ontario, New Brunswick, Nova Scotia, PEI and Newfoundland and Labrador.

3. The trustees of the Labourers Fund purchased Sino-Forest shares between December 2009 and June 2011. The trustees held a total of 128,700 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,343,627 at the close of trading on June 1, 2011. On June 2 and 3, 2011, the trustees sold their holdings for net proceeds \$695,993.96.

4. On July 20, 2011, the trustees of the Labourers Fund and the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario commenced this action against Sino-Forest and other defendants, including Sino-Forest's auditors and underwriters for its offerings. The claim alleges that there were misrepresentations in Sino-Forest's public filings.

Litigation Funding Agreement

5. On February 15, 2012, the trustees entered into the CFI litigation funding agreement. It provides that CFI will provide an indemnity for adverse cost awards in this action against the plaintiffs and \$50,000 towards disbursements. In return, CFI would receive 5% of any net recovery up to a maximum of \$5 million if the action is resolved before a pre-trial or 7% of net recovery with a maximum of \$10 million if resolved afterwards.

The Importance of Having Funding In Place

6. The trustees brought this action because of the Labourers Fund's losses and out of a desire for healthy and transparent public markets. It is important that the professionals (such as auditors) who serve companies like Sino – and whose professional opinion investors rely on – be held accountable for their role in any misconduct.

7. The trustees of the Labourers Fund are prepared to commit time and effort to being representative plaintiffs and to direct this litigation on behalf of and in the best interests of the class. The trustees understand that whether, or how much, of the fund's investment losses may be recovered is uncertain.

8. However, the trustees cannot justify the risk of an adverse cost award in light of the size of the Labourer Fund's losses. I am advised by Michael Mazzuca of Koskie Minsky LLP and I believe that adverse cost awards could be hundreds of thousands of dollars for major motions such as certification and leave to commence statutory claims under the *Securities Act*. Mr. Mazzuca also advises me and I believe that the costs after a trial could be in the millions.

9. Further, I understand that the trustees cannot expect to recover any more than any other class member in this action, even though the trustees are named plaintiffs and may be appointed representative plaintiffs. Mr. Mazzuca has explained that, even if this action succeeds, I and the other trustees should not expect additional compensation for acting as representative plaintiffs in this action. He explained that such additional compensation is rare and if granted would very likely be less than \$10,000.

10. Given the size of potential cost awards and the Labourers Fund's losses, the trustees are not willing to act as plaintiffs without an indemnity for adverse costs. While healthy public markets are an important concern for the Labourers Fund, the risks are not justifiable without funding for adverse costs.

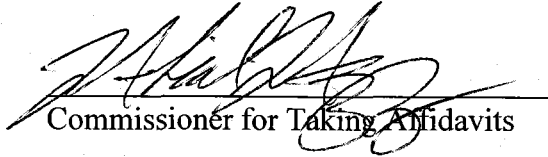
11. The CFI litigation funding agreement represents a reasonable arrangement for funding. Mr. Mazzuca explained to I and the other trustees that an alternative to the CFI arrangement would be to seek funding from the Ontario Class Proceedings Fund. He explained that if the Class Proceedings Fund agreed to fund this action it would provide an indemnity for adverse cost awards and would pay for disbursements subject to a budget. Mr. Mazzuca explained that, in exchange for such funding, the Class Proceedings Fund would be entitled to 10% of net recovery from the class. Given the losses suffered by the class, this could be an enormous amount, far more than provided in the CFI funding agreement.

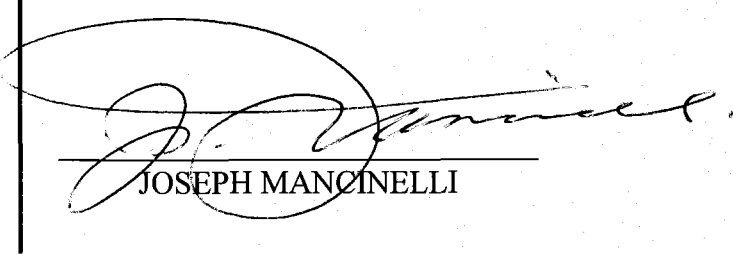
12. I and the other trustees view the CFI litigation funding agreement to be more beneficial in this case than funding from the Class Proceeding Fund. First, the CFI agreement provides for payment of 5% or 7% (depending on timing) of net recovery instead of 10%. Further, the CFI funding agreement creates maximums for CFI's recovery. For example, if the net recovery is \$400 million, CFI would receive \$5 million (if before a pre-trial) or \$10 million (if afterwards). The Class Proceedings Fund levy would be \$40 million.

13. I and the other trustees believe the litigation funding agreement is fair and reasonable given the limits placed on CFI's recovery and the liability for adverse costs that CFI accepts.

14. I swear this affidavit in support of the motion for approval of the litigation funding agreement and for no other or improper purpose.

SWORN BEFORE ME at the City of
Ft. Lauderdale in the State of Florida,
United States on February 15, 2012.


Commissioner for Taking Affidavits


JOSEPH MANCINELLI

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF JOSEPH MANCINELLI

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072

Fax: 416.204.2907

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Lawyers for the Plaintiffs

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF MICHAEL GALLAGHER

I, MICHAEL GALLAGHER, of the City of Toronto, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the chair of the board of trustees of the International Union of Operating Engineers Local 793 Pension Plan (the "OE Fund"), plaintiffs in this action, and I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

Nature Of The Action

1. The OE Fund is a Canadian multi-employer pension plan representing 20,867 active, inactive, retired and deferred vested members.

2. Through its various asset managers, the trustees purchased Sino-Forest shares between July 2007 and June 2011. On June 1, 2011, the trustees held approximately 324,100 with a market value of \$18.21 per share or \$5,901,861. Since that time, the trustees have sold most of these shares with significant losses. The trustees hold approximately 37,350 shares.

2. On July 20, 2011, the trustees of the OE Fund and the trustees of the Labourers' Pension Fund of Central and Eastern Canada commenced this action against Sino-Forest and other defendants, including Sino-Forest's auditors and underwriters for its offerings. The claim alleges there were misrepresentations in Sino-Forest's public filings.

Litigation Funding Agreement

3. On March 7, 2012, the trustees entered into the CFI litigation funding agreement. It provides that CFI will provide an indemnity for adverse cost awards in this action against the plaintiffs and \$50,000 towards disbursements. In return, CFI would receive 5% of any net recovery up to a maximum of \$5 million if the action is resolved before a pre-trial or 7% of net recovery with a maximum of \$10 million if resolved afterwards. I am advised by Mark Zigler of Koskie Minsky LLP and I believe the funding agreement is in addition to and does not replace the obligations of class counsel as set out in the retainer agreements with the plaintiffs.

The Importance of Having Funding In Place

4. The trustees brought this action because of the Operating Engineers losses and out of a desire for healthy and transparent public markets. Almost 40% of the OE Fund's assets are invested in Canadian equities. The trustees accordingly have a strong interest in the health and proper function of the Canadian capital markets.

5. The trustees are prepared to commit time and effort to being representative plaintiffs and to direct this litigation on behalf of and in the best interests of the class. The trustees

understand that whether, or how much, of the fund's investment losses may be recovered is uncertain.

6. However, the trustees cannot justify the risk of an adverse cost award in light of the potential size of such adverse cost awards in relation to the OE Fund's approximate losses. I am advised by Mr. Zigler and I believe that adverse cost awards could be hundreds of thousands of dollars for major motions such as certification and leave to commence statutory claims under the *Securities Act*. Mr. Zigler also advises me and I believe that the costs after a trial could be in the millions.

7. Further, I understand that the trustees of the OE Fund cannot expect to recover any more than any other class member in this action, even though the trustees are named plaintiffs and may be appointed representative plaintiffs. Mr. Zigler has explained that, even if this action succeeds, I and the other trustees should not expect additional compensation for acting as representative plaintiffs in this action. He explained that such additional compensation is rare and if granted would very likely be less than \$10,000.

8. Given the size of potential cost awards as compared to the scale of the OE Fund's losses, the trustees are not willing to act as plaintiffs without an indemnity for adverse costs. While the health and transparency of the Canadian capital markets are an important concern for the OE Fund, the risks are not justifiable without funding for adverse costs.

9. The CFI litigation funding agreement represents a reasonable arrangement for funding. Mr. Zigler explained to me and the other trustees that an alternative to the CFI arrangement would be to seek funding from the Ontario Class Proceedings Fund. He explained that if the Class Proceedings Fund agreed to fund this action it would provide an indemnity for adverse cost awards and would pay for disbursements subject to a budget. Mr. Zigler explained that, in exchange for such funding, the Class Proceedings Fund would be entitled to 10% of net recovery from the class. Given the losses suffered by the class, this could be an enormous amount, far more than provided in the CFI funding agreement.

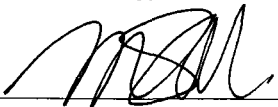
10. I and the other trustees view the CFI litigation funding agreement to be more beneficial in this case than funding from the Class Proceeding Fund. First, the CFI agreement

provides for payment of 5% or 7% (depending on timing) of net recovery instead of 10%. Further, the CFI funding agreement creates maximums for CFI's recovery. For example, if the net recovery is \$400 million, CFI would receive \$5 million (if before a pre-trial) or \$10 million (if afterwards). The Class Proceedings Fund levy would be \$40 million.

11. I and the other trustees believe the litigation funding agreement is fair and reasonable given the limits placed on CFI's recovery and the liability for adverse costs that CFI accepts.

12. I swear this affidavit in support of the motion for approval of the litigation funding agreement and for no other or improper purpose.

SWORN BEFORE ME at the City of
Oakville in the Province of
Ontario on March 7, 2012.



Commissioner for Taking Affidavits



MICHAEL GALLAGHER

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF MICHAEL GALLAGHER

KOSKIE MINSKY LLP

900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP

680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753
Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the Class Proceedings Act, 1992

AFFIDAVIT OF DAVID C. GRANT

I, DAVID C. GRANT, of the City of Calgary, in the Province of Alberta, MAKE
OATH AND SAY:

1. I am a plaintiff in this action. Accordingly, I have knowledge of the matters herein
deposed. Where I make statements in this affidavit that are not within my personal
knowledge, I have indicated the source of my information and I believe such information to
be true.

Nature Of The Action

2. On November 14, 2011, myself and Robert Wong commenced an action against Sino-Forest and other parties, including Sino-Forest's auditors and the underwriters of its offerings. Our claim alleges that there were misrepresentations in Sino-Forest's public filings, including its prospectuses and offering memoranda.

3. On January 6, 2012, myself and Mr. Wong were added as plaintiffs in the within action and our November proceeding was consolidated with this action.

4. I advance claims on behalf of persons who purchased or otherwise acquired Sino-Forest notes during the class period as defined in the action. I purchased 100 Guaranteed Senior Notes of Sino-Forest on October 21, 2010 at a purchase price of US\$101.50 per note. I continue to hold these notes.

Litigation Funding Agreement

5. On February 9, 2012, I entered into the CFI litigation funding agreement. This agreement stipulates that CFI will provide an indemnity for adverse cost awards made against the plaintiffs in this action against the plaintiffs and \$50,000 towards disbursements. In return, CFI will receive 5% of any net recovery up to a maximum of \$5 million if the action is resolved before the filing of our pre-trial conference brief or 7% of net recovery with a maximum of \$10 million if resolved afterwards.

The Importance of Having Funding In Place

6. I am prepared to commit time and effort to being a representative plaintiff and to direct this litigation on behalf of and in the best interests of the class. I understand that whether, or how much, of my investment loss may be recovered is uncertain.

7. However, I cannot justify pursuing this litigation and risk a substantial cost award, particularly given the relative size of my loss, in the absence of funding. I am advised by A. Dimitri Lascaris of Siskinds LLP, and I believe that adverse cost awards could total hundreds of thousands of dollars for major motions such as those for certification and leave to commence statutory claims under the *Securities Act*. Mr. Lascaris also advises me, and I believe that the costs after a trial could figure in the millions.

8. Further, I understand that I cannot expect to recover any more than any other class member in this action even though I am a named plaintiff and may be appointed representative plaintiff. Mr. Lascaris has explained that even if this action succeeds I should not expect to receive additional compensation for acting as a representative plaintiff. He explained that such added compensation is rare and even if granted would very likely amount to less than \$10,000.

9. I believe that the CFI litigation funding agreement represents a reasonable arrangement for this funding. Mr. Lascaris explained to me that an alternative to the CFI arrangement would be to seek funding from the Ontario Class Proceedings Fund. He explained that if the Class Proceedings Fund agreed to fund this action it would provide an indemnity for adverse cost awards and would pay for disbursements subject to a budget. Mr. Lascaris explained that, in exchange for such funding, the Class Proceedings Fund would be entitled to 10% of any net recovery from the class. Given the losses suffered by the class, this could be an enormous amount, far more than that outlined in the CFI funding agreement.

10. I view the CFI litigation funding agreement to be more beneficial to the class in this case than funding from the Class Proceeding Fund in two ways. First, the CFI agreement provides for a commission payment of 5% or 7% (depending on timing) of net recovery as opposed to the 10% commission sought by the Class Proceedings Fund. Second, the CFI funding agreement caps CFI's recovery. For example, if the net recovery of the class is \$400 million, CFI would receive \$5 million (if recovery occurs before the filing of our pre-trial brief) or \$10 million (if after). By contrast, the Class Proceedings Fund levy would be \$40 million either way.

11. In sum, I believe the litigation funding agreement is fair and reasonable given the limits placed on CFI's recovery and its acceptance of liability for adverse costs.

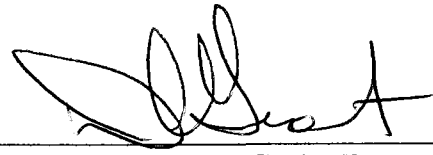
12. I swear this affidavit in support of the motion for approval of the litigation funding agreement and for no other or improper purpose.

SWORN BEFORE ME at the City of
Calgary, in the Province of *Alberta* on *Feb 24*, 2012.



Commissioner for Taking Affidavits

WILLIAM S. PLETTL
Barrister, Solicitor & Notary Public



DAVID C. GRANT

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF DAVID C. GRANT

KOSKIE MINSKY LLP
900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)
Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)
Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF ROBERT WONG

I, ROBERT WONG, of the City of Kincardine, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a plaintiff in this action. Accordingly, I have knowledge of the matters herein deposed. Where I make statements in this affidavit that are not within my personal knowledge, I have indicated the source of my information and I believe such information to be true.

Nature Of The Action

2. I was a shareholder of Sino-Forest Corporation from July 2002 to June 2011. Prior to the release of the Muddy Waters report on Sino-Forest, I owned 518,700 Sino-Forest shares, having, at that time, a market value of approximately \$9.4 million. On June 3, 2011 and June 7, 2011, after I learned of the allegations made against Sino-Forest, I sold all of the 518,700 shares that I owned, and did so for total proceeds of approximately \$2.8 million.

3. On November 14, 2011, myself and David Grant commenced an action against Sino-Forest and other parties, including Sino-Forest's auditors and the underwriters of its offerings. Our claim alleges that there were misrepresentations in Sino-Forest's public filings, including its prospectuses and offering memoranda.

4. On January 6, 2012, myself and Mr. Grant were added as plaintiffs in the within action and our November proceeding was consolidated with this action.

Litigation Funding Agreement

5. On February 9, 2012, I entered into the CFI litigation funding agreement. This agreement stipulates that CFI will provide an indemnity for adverse cost awards made against the plaintiffs in this action and \$50,000 towards disbursements. In return, CFI will receive 5% of any net recovery up to a maximum of \$5 million if the action is resolved before the filing of our pre-trial conference brief or 7% of net recovery with a maximum of \$10 million if resolved afterwards.

The Importance of Having Funding In Place

6. I am prepared to commit time and effort to being a representative plaintiff and to direct this litigation on behalf of and in the best interests of the class. I understand that whether, or how much, of my investment loss may be recovered is uncertain.

7. However, I cannot justify the risk of an adverse cost award in light of the size of the my losses. I am advised by A. Dimitri Lascaris of Siskinds LLP, and I believe that adverse cost awards could total hundreds of thousands of dollars for major motions such as those for certification and leave to commence statutory claims under the *Securities Act*. Mr. Lascaris also advises me, and I believe that costs after a trial could figure in the millions.

8. Further, I understand that I cannot expect to recover any more than any other class member in this action even though I am a named plaintiff and may be appointed representative plaintiff. Mr. Lascaris has explained that even if this action succeeds I should not expect to receive additional compensation for acting as a representative plaintiff. He explained that such added compensation is rare and even if granted would very likely amount to less than \$10,000.

9. Given the size of the potential cost awards in this action and the devastating impact that my losses have had on my retirement savings, I am not willing to act as a named plaintiff without receiving an indemnity against adverse costs awards. The risks are simply not justifiable without funding for adverse costs.

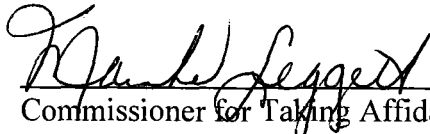
10. I believe that the CFI litigation funding agreement represents a reasonable arrangement for this funding. Mr. Lascaris explained to me that an alternative to the CFI arrangement would be to seek funding from the Ontario Class Proceedings Fund. He explained that if the Class Proceedings Fund agreed to fund this action it would provide an indemnity for adverse cost awards and would pay for disbursements subject to a budget. Mr. Lascaris explained that, in exchange for such funding, the Class Proceedings Fund would be entitled to 10% of any net recovery for the class. Given the losses suffered by the class, this could be an enormous amount, far more than that outlined in the CFI funding agreement.

11. I view the CFI litigation funding agreement to be more beneficial to the class in this case than funding from the Class Proceeding Fund in two ways. First, the CFI agreement provides for a commission payment of 5% or 7% (depending on timing) of any net recovery as opposed to the 10% commission sought by the Class Proceedings Fund. Second, the CFI funding agreement caps CFI's recovery. For example, if the net recovery of the class is \$400 million, CFI would receive \$5 million (if recovery occurs before the filing of our pre-trial conference brief) or \$10 million (if after). By contrast, the Class Proceedings Fund levy would be \$40 million either way.

12. In sum, I believe the litigation funding agreement is fair and reasonable given the limits placed on CFI's recovery and its acceptance of liability for adverse costs.

13. I swear this affidavit in support of the motion for approval of the litigation funding agreement and for no other or improper purpose.

SWORN BEFORE ME at the City of
~~KINCARDINE~~ in the Province of Ontario,
on February 23, 2012.


Commissioner for Taking Affidavits

MARSHA PAULINE LEGGETT, a Commissioner,
etc., Province of Ontario, for
William S. Mathers, Barrister and Solicitor.
Expires January 20, 2013.



ROBERT WONG

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

AFFIDAVIT OF ROBERT WONG

KOSKIE MINSKY LLP

900-20 Queen Street West

Box 52

Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)

Tel: 416.595.2117

Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)

Tel: 416.595.2072

Fax: 416.204.2907

SISKINDS LLP

680 Waterloo Street

P.O. Box 2520

London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: 519.660.7753

Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)

Tel: 519.660.7844

Fax: 519.660.7845

Lawyers for the Plaintiffs

Court File No. CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

**THE TRUSTEES OF THE LABOURERS' PENSION FUND
OF CENTRAL AND EASTERN CANADA, THE TRUSTEES OF THE
INTERNATIONAL UNION OF OPERATING ENGINEERS LOCAL 793 PENSION
PLAN FOR OPERATING ENGINEERS IN ONTARIO, SJUNDE AP-FONDEN,
DAVID GRANT and ROBERT WONG**

Plaintiffs

- and -

**SINO-FOREST CORPORATION, ERNST & YOUNG LLP, BDO LIMITED (formerly
known as BDO McCabe Lo Limited), ALLEN T.Y. CHAN, W. JUDSON MARTIN, KAI
KIT POON, DAVID J. HORSLEY, WILLIAM E. ARDELL, JAMES P. BOWLAND,
JAMES M.E. HYDE, EDMUND MAK, SIMON MURRAY, PETER WANG, GARRY J.
WEST, PÖYRY (BEIJING) CONSULTING COMPANY LIMITED, CREDIT SUISSE
SECURITIES (CANADA), INC., TD SECURITIES INC., DUNDEE SECURITIES
CORPORATION, RBC DOMINION SECURITIES INC., SCOTIA CAPITAL INC.,
CIBC WORLD MARKETS INC., MERRILL LYNCH CANADA INC., CANACCORD
FINANCIAL LTD., MAISON PLACEMENTS CANADA INC., CREDIT SUISSE
SECURITIES (USA) LLC and BANC OF AMERICA SECURITIES LLC**

Defendants

Proceeding under the *Class Proceedings Act, 1992*

AFFIDAVIT OF INGRID ALBINSSON AND SVANTE LINDER

WE, INGRID ALBINSSON AND SVANTE LINDER, of the City of Stockholm, in
the Country of Sweden, MAKE OATH AND SAY:

1. We are, respectively, the Chief Strategist and Head of Administration of Sjunde AP-Fonden ("AP7"), a plaintiff in this action. Accordingly, we have knowledge of the matters herein deposed. Where we make statements in this affidavit that are not within personal knowledge, we have indicated the source of our information and believe such information to be true.

Nature Of The Action

2. AP7 is the Seventh Swedish National Pension Fund and is part of Sweden's national pension system. AP7 is governed by a Board of Directors.
3. AP7 purchased Sino-Forest shares between April 21, 2010 and January 14, 2011. Its funds held 139,398 shares on June 1, 2011, with a market value of \$18.21 per share or \$2,538,438.00 in total. On August 24, 2011, AP7 sold 43,095 Sino-Forest shares for net proceeds of \$188,829.36. AP7 continues to hold 96,303 shares of Sino-Forest.
4. On January 6, 2012, AP7 was added as a plaintiff to this action.

Litigation Funding Agreement

5. On February 24, 2012, AP7 entered into the CFI litigation funding agreement. This agreement stipulates that CFI will provide an indemnity for adverse cost awards made against the plaintiffs in this action and \$50,000 towards disbursements. In return, CFI will receive 5% of any net recovery up to a maximum of \$5 million if the action is resolved before the filing of our pre-trial conference brief or 7% of net recovery with a maximum of \$10 million if resolved afterwards.

The Importance of Having Funding In Place

6. This action relates to allegations of material misrepresentations made to the investing public over a number of years. Such conduct, in the view of AP7, undermines the confidence in and proper functioning of the capital markets in which AP7 invests.
7. AP7 is prepared to commit time and effort to being a representative plaintiff and to direct this litigation on behalf of and in the best interests of the class. We and AP7's board of directors understand that whether, or how much, of AP7's investment loss may be recovered is uncertain.
8. However, AP7 cannot justify the risk of an adverse cost award in light of the size of its losses. We are advised by A. Dimitri Lascaris of Siskinds LLP, and believe that courts in Ontario can award a portion of the legal fees of other parties where those parties are successful in a motion or at trial. He has also explained that AP7, along with the other plaintiffs, as named plaintiffs would be individually responsible for those adverse cost awards

even though this action is brought on behalf of a class of investors. Mr. Lascaris has explained that these adverse cost awards could total hundreds of thousands of dollars for major motions such as those for certification and leave to commence statutory claims under the *Securities Act*. Mr. Lascaris also advises us, and we believe that the costs after a trial could figure in the millions.

9. Further, we understand that AP7 cannot expect to recover any more than any other class member in this action even though it is a named plaintiff and may be appointed representative plaintiff. Mr. Lascaris has explained that even if this action succeeds AP7 should not expect to receive additional compensation for acting as a representative plaintiff. He explained that such added compensation is rare and even if granted would very likely amount to less than \$10,000.

10. Given the size of potential cost awards in this action and AP7's losses, AP7 is not willing to act as a named plaintiff without receiving an indemnity against adverse costs. While the health and proper functioning of the capital markets are an important concern for AP7, the risks are not justifiable without funding for adverse costs.

11. We believe that the CFI litigation funding agreement represents a reasonable arrangement for this funding. Mr. Lascaris explained to me that an alternative to the CFI arrangement would be to seek funding from the Ontario Class Proceedings Fund. He explained that if the Class Proceedings Fund agreed to fund this action it would provide an indemnity for adverse cost awards and would pay for disbursements subject to a budget. Mr. Lascaris explained that, in exchange for such funding, the Class Proceedings Fund would be entitled to 10% of any net recovery for the class. Given the losses suffered by the class, this could be an enormous amount, far more than that outlined in the CFI funding agreement.

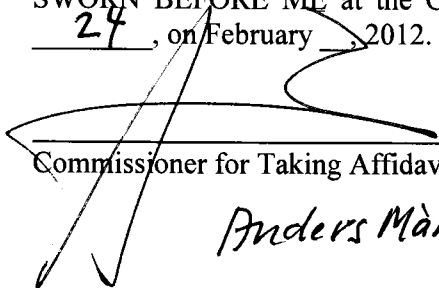
12. We view the CFI litigation funding agreement to be more beneficial to the class in this case than funding from the Class Proceeding Fund in two ways. First, the CFI agreement provides for a commission payment of 5% or 7% (depending on timing) of any net recovery as opposed to the 10% commission sought by the Class Proceedings Fund. Second, the CFI funding agreement caps CFI's recovery. For example, if the net recovery of the class is \$400 million, CFI would receive \$5 million (if recovery occurs before the filing of our pre-trial

conference brief) or \$10 million (if after). By contrast, the Class Proceedings Fund levy would be \$40 million either way.

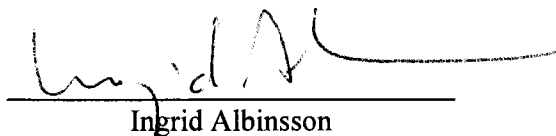
13. In sum, we believe the litigation funding agreement is fair and reasonable given the limits placed on CFI's recovery and its acceptance of liability for adverse costs.

14. We swear this affidavit in support of the motion for approval of the litigation funding agreement and for no other or improper purpose.

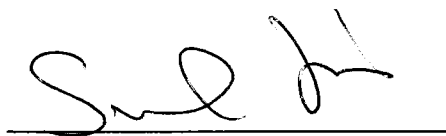
SWORN BEFORE ME at the City of
24, on February 24, 2012.



Commissioner for Taking Affidavits
Anders Månsson



Ingrid Albinsson



Svante Linder

The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.

Plaintiffs

and

Sino-Forest Corporation, et al.

Defendants

Court File No: CV-11-431153-00CP

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the *Class Proceedings Act, 1992*

Proceeding commenced at **Toronto**

**AFFIDAVIT OF INGRID ALBINSSON AND
SVANTE LINDER**

KOSKIE MINSKY LLP
900-20 Queen Street West
Box 52
Toronto, ON M5H 3R3

Kirk M. Baert (LSUC#: 309420)
Tel: 416.595.2117
Fax: 416.204.2889

Jonathan Bida (LSUC#: 54211D)
Tel: 416.595.2072
Fax: 416.204.2907

SISKINDS LLP
680 Waterloo Street
P.O. Box 2520
London, ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)
Tel: 519.660.7753
Fax: 519.660.7754

A. Dimitri Lascaris (LSUC#: 50074A)
Tel: 519.660.7844
Fax: 519.660.7845

Lawyers for the Plaintiffs

1771712.1

**The Trustees of the Labourer's Pension Fund
of Central and Eastern Canada, et al.**

and Sino-Forest corporation, et al.

Court File No: CV-11-431153-00CP

Plaintiffs

Defendants

**ONTARIO
SUPERIOR COURT OF JUSTICE**

Proceedings Under the Class Proceedings Act, 1992

Proceeding commenced at Toronto

**MOTION RECORD OF THE PLAINTIFFS
(Motion to Approve Funding Agreement)**

KOSKIE MINSKY LLP

20 Queen Street West, Suite 900, Box 52
Toronto ON M5H 3R3

Kirk M. Baert (LSUC#: 30942O)

Tel: (416) 595-2117

Fax: (416) 204-2889

Jonathan Bida (LSUC #: 54211D)

Tel: (416) 595-2072

Fax: (416) 204-2907

SISKINDS LLP

680 Waterloo Street, P.O. Box 2520
London ON N6A 3V8

Charles M. Wright (LSUC#: 36599Q)

Tel: (519) 660-7753

Fax: (519) 660-7754


A. Dimitri Lascaris (LSUC#: 50074A)

Tel: (519) 660-7844

Fax: (519) 660-7845

Lawyers for the Plaintiffs

This is Exhibit "G" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

CITATION: Labourers' Pension Fund of Central and Eastern Canada v.
Sino-Forest Corporation, 2012 ONSC 1924
COURT FILE NO. 11-CV-431153CP
DATE: 20120326

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

The Trustees of the Labourers' Pension Fund of Central and Eastern Canada, the
Trustees of the International Union of Operating Engineers Local 793 Pension Plan for
Operating Engineers in Ontario, Sjuunde Ap-Fonden, David Grant and Robert Wong

Plaintiffs

- and -

Sino-Forest Corporation, Ernst & Young LLP, BDO Limited (formerly known as BDO
McCabe Lo Limited), Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J.
Horsley, William E. Ardell, James P Bowland, James M.E. Hyde, Edmund Mak, Simon
Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited,
Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities
Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets
Inc., Merrill Lynch Canada, Inc., Canaccord Financial Ltd., Maison Placements Canada
Inc., Credit Suisse Securities (USA) LLC and Banc of America Securities LLC

Defendants

Proceeding under the *Class Proceedings Act, 1992*

COUNSEL:

- Kirk M. Baert and Michael Robb for the Plaintiffs
- Michael Eizenga for Sino-Forest Corporation, Simon Murray, Edmund Mak, W. Judson Martin, Kai Kit Poon and Peter Wang
- Emily Cole and Megan Mackey for Allan T.Y. Chan
- Peter Wardle and Simon Bieber for David J. Horsley
- Laura Fric and Geoffrey Grove for William E. Ardell, James P. Bowland, James M.E. Hyde and Garry J. West
- John Fabello and Andrew Gray for Credit Suisse Securities (Canada) Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc of America Securities LLC
- Peter H. Griffin and Shara Roy for Ernst & Young LLP
- Kenneth Dekker and Michelle Booth for BDO Limited

- John Pirie and David Gadsden for Pöyry (Beijing) Consulting Company Limited

HEARING DATES: March 22, 2012

PERELL, J.

REASONS FOR DECISION

A. INTRODUCTION

[1] A motion for an order requiring a defendant to deliver a statement of defence or for an order setting a timetable for a motion should not be a momentous matter. But scheduling is a very big deal in this very big case under the *Class Proceedings Act, 1992*, S.O. 1992, c. 6.

[2] The Defendants strenuously resist delivering a statement of defence before the certification motion, and they submit that it would both contrary to law and a denial of due process to require them to plead in the normal course of an action.

[3] The Defendants submit that having to plead their statement of defence is contrary to law because the Plaintiffs' statement of claim can be commenced only with leave pursuant to s. 138.8 of the *Securities Act, R.S.O. 1990*, c. S.5 and in *Sharma v. Timminco*, 2012 ONCA 107, the Court of Appeal ruled that the statement of claim does not exist until leave is granted. The Defendants submit that having to plead their statement of defence is a denial of due process because the Plaintiffs' statement of claim includes causes of action that might not survive a challenge under Rule 21 of the *Rules of Civil Procedure*. One of the Defendants, BDO Limited, also argues that claims against it are statute-barred, and, therefore, it should not be required to deliver a statement of defence but should be permitted to bring a Rule 21 motion before the certification hearing.

[4] The position of the Defendants is set out in paragraph 2 of the Defendant Sino-Forest Corporation's factum as follows:

2. The Responding Parties oppose the relief relating to the delivery of a statement of defence because, as a result of the Ontario Court of Appeal's decision in *Sharma v. Timminco*, the secondary market action has yet to be commenced and will not have been commenced unless and until leave has been granted by this Honourable Court. Accordingly, the Defendants cannot be required to deliver a statement of defence to a proceeding that has yet to be commenced. Moreover, the secondary market claims are intertwined with the balance of the allegations in the statement of claim, such that it would not be realistic to provide a partial or bifurcated defence. In addition, the Responding Parties expect to be bringing a motion to strike the Statement of claim, at least in respect of the portion of the claim that purports to be brought on behalf of Noteholders, who are prohibited from commencing such a claim by virtue of the no suits by holder clause.

[5] In response, the Plaintiffs submit that just as defendants are entitled to know the case they must meet, plaintiffs are entitled to know the defence they confront. The Plaintiffs submit that the law and the dictates of due process do not preclude ordering

the delivery of a statement of defence in accordance with the *Rules of Civil Procedure*, and the Plaintiffs' rely on the court's power under s. 12 of the *Class Proceedings Act, 1992* and on what I said in *Pennyfeather v. Timminco*, 2011 ONSC 4257 about the desirability of the pleadings being closed before the certification motion.

[6] In the immediate case, the Defendants also strenuously resist the Plaintiffs' request that the leave motion under s. 138.8 the *Securities Act* and the certification motion under the *Class Proceedings Act, 1992* be heard together. Instead of a combined leave and certification motion, the Defendants submit that a series of motions be scheduled, beginning with the leave motion, followed by Rule 21 motions, followed by the certification motion. Some Defendants would begin with the Rule 21 motions before the leave motion, but all wish a sequence of separate motions.

[7] The Defendants submit that a combined leave and certification motion would be both inappropriate and also unfair, and particularly so, if they are also required to plead their defences. The Defendants submit that fairness dictates that leave be determined in advance of certification, and that their right to attack all or part of whatever pleading emerges from the leave motion be preserved. They submit that it would be inefficient to deliver a statement of defence when the statement of claim is likely to be amended in a substantial manner depending on the outcome of the Plaintiffs' leave motion and the Rule 21 motions.

[8] The Plaintiffs regard the Defendants' proposal of a sequence of motions as something akin to having their action being sentenced to a life of imprisonment on Devil's Island.

[9] For the reasons that follow, I adjourn the motion as it concerns BDO Limited, and I order that there shall be a combined leave and certification motion on November 21-30, 2012 (10 days).

[10] I order that the "Proposed Fresh as Amended Statement of Claim" be the statement of claim for the purposes of the leave and certification motion and that this pleading shall not be amended without leave of the court. Further, I order that with the exception of the Plaintiffs' funding motion, there shall be no other motions before the leave and certification motion without leave of the court first being obtained.

[11] I do not agree that it would be contrary to law or a denial of due process to order the pre-certification delivery of a statement of defence; nevertheless, I shall not order all the Defendants to deliver their statements of defence before the combined leave and certification.

[12] Rather, I shall order that a statement of defence be delivered by any Defendant that delivers an affidavit pursuant to s. 138.8 (2) of the *Securities Act*. I order that any other Defendant may, if so advised, deliver a statement of defence. Further, I order that if a Defendant delivers a statement of defence, then the delivery of the statement of defence is not a fresh step and the Defendant is not precluded from bringing a Rule 21 motion at the leave and certification motion or from contesting that the Plaintiffs have shown a cause of action under s. 5 (1)(a) of the *Class Proceedings Act, 1992*.

[13] In my reasons, I will explain why it may be advantageous to a defendant to deliver a statement of defence although it may not be obliged to do so.

[14] Finally, in my reasons, I will establish a timetable for the funding motion and for the leave and certification motion, which timetable may be adjusted, if necessary, by directions made at a case conference.

B. FACTUAL AND PROCEDURAL BACKGROUND

[15] Sino-Forest is a Canadian public company whose shares formerly traded on the Toronto Stock Exchange. At the moment, trading is suspended because on June 2, 2011, Muddy Waters Research released a research report alleging fraud by Sino-Forest. The release of the report had a catastrophic effect on Sino-Forest's share price.

[16] On June 20, 2011, The Trustees of the Labourers' Pension Fund of Central and Eastern Canada ("Labourers") retained Koskie Minsky LLP to sue Sino-Forest. Koskie Minsky issued a notice of action in a proposed class action with Labourers as the proposed representative plaintiff.

[17] The June action, however, was not pursued, and in July 2011, Labourers and another pension fund, the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario ("Engineers") retained Koskie Minsky and Siskinds LLP to commence a new action, which followed on July 20, 2011, by notice of action. The statement of claim in *Labourers v. Sino-Forest*, which is the action now before the court, was served in August, 2011.

[18] On November 4, 2011, Labourers served the Defendants in *Labourers v. Sino-Forest* with the notice of motion for an order granting leave to assert the causes of action under Part XXIII.1 of the *Ontario Securities Act*.

[19] At this time, there were rival class actions. Douglas Smith had retained Rochon Genova, LLP. Rochon Genova issued a notice of action on June 8, 2011. The statement of claim in *Smith v. Sino-Forest* followed on July 8, 2011. Northwest & Ethical Investments L.P. and Comité Syndical National de Retraite Bâtirente Inc. retained Kim Orr Barristers P.C., and on September 26, 2011, Kim Orr commenced *Northwest v. Sino-Forest*.

[20] On December 20 and 21, 2011, there was a carriage motion, and on January 6, 2012, I released my judgment awarding carriage to Class Counsel in *Labourers v. Sino-Forest*. I granted leave to the Plaintiffs to deliver a Fresh as Amended Statement of Claim, which may include the joinder of the plaintiffs and the causes of action set out in *Grant v. Sino-Forest*, *Smith v. Sino-Forest*, and *Northwest v. Sino-Forest*, as the Plaintiffs may be advised.

[21] On January 26, 2012, the plaintiffs delivered an Amended Statement of Claim.

[22] On March 2, 2012, the Plaintiffs initiated a motion seeking leave to assert causes of action pursuant to ss. 138.3 and 138.8 under Part XXIII.1 of the *Securities Act*

[23] Plaintiffs' motion materials included a draft Fresh as Amended Statement of Claim for the eventuality that leave is granted ("Proposed Fresh as Amended Statement

of Claim"). The Proposed Fresh as Amended Statement of Claim substantially amends and extends the allegations contained in the pleading delivered in January 2012.

[24] In their various pleadings, the Plaintiffs allege that Sino-Forest and the other Defendants made misrepresentations in the primary and secondary markets. The Plaintiffs claims include: \$0.8 billion for primary market claims; \$1.8 billion (U.S.) for noteholders; and \$6.5 billion for secondary market claims. There are also claims against some of the Defendants for a corporate oppression remedy, negligence, negligent misrepresentation, conspiracy, and unjust enrichment. The following chart describes the claims against each Defendant:

	S.A. s. 130 (prospectus)	S.A. s. 130.1 (offering memorandum)	S.A. s. 138.3 (secondary market)	Negligent misrepresentation (secondary market)	Negligent misrepresentation (prospectus / o-memo)	Negligence (prospectus, offering memorandum)	Unjust Enrichment	CBCA Oppression	Conspiracy
Sino Forest	X	X	X	X	X	X	X	X	X
Chan	X		X	X	X	X	X	X	X
Horsley	X		X	X	X	X	X	X	X
Poon	X		X	X	X	X	X	X	X
Wang	X		X	X	X	X		X	
Martin	X		X	X	X	X	X	X	
Mak	X		X		X	X	X	X	
Murray	X		X	X	X	X	X	X	
Hyde	X		X	X	X	X		X	
Ardell			X	X				X	
Bowland			X	X				X	
West			X	X				X	
Ernst & Young	X		X	X	X	X			
BDO Ltd.	X		X	X	X	X			
Bövy (Belting)	X		X			X			
Credit Suisse	X				X	X	X		
TD Securities	X				X	X	X		
Dundee Securities	X				X	X	X		
RBC Dominion	X				X	X	X		
Scotia Capital	X				X	X	X		
CIBC World	X				X	X	X		
Merrill Lynch	X				X	X	X		
Canaccord	X				X	X	X		
Molson	X				X	X	X		
Credit Suisse (USA)						X	X		
Banc of America						X	X		

[25] On March 6, 2012, there was a case conference, and I scheduled 10 days of hearings from November 21 to November 30, 2012. Apart from deciding that the leave motion must be heard, I did not decide what would be the subject matter of those hearing dates.

[26] None of the Defendants has served a statement of defence. None has advised which, if any, statutory or common law defences they will advance in response to the Plaintiffs' claims. In this regard, it may be noted that the Plaintiffs advance claims under s. 130 of the *Securities Act* with respect to misrepresentations in the primary market.

These claims raises at least eight possible statutory defences, which are set out in subsections 130(3), (4) and (5) of the *Securities Act*. If leave is granted, the Plaintiffs also advance claims under Part XXIII.1 of the *Securities Act*. As noted in Sino-Forest's factum for this motion, there are at least 11 defences to secondary market claims.

C. DISCUSSION

1. Introduction

[27] In this introductory section, I will address the one relatively easy issue; i.e., the problem of the "moving target" statement of claim.

[28] In the sections that follow, I will address the more difficult issues of: (a) whether the Defendants can and should be ordered to deliver statements of defence; (b) whether the leave motion should be combined with the certification motion or instead there should be a sequence of motions; (c) what other motions, if any, should be permitted before the certification motion; and (d) what should the timetable be for the motions.

[29] Beginning with the relatively easy problem, at the argument of this motion, the Defendants vociferously complained that the Plaintiffs keep changing their statement of claim. The Defendants pointed to substantial differences among the statement of claim delivered before the carriage motion, the statement of claim delivered after the carriage motion, and the Proposed Fresh as Amended Statement of Claim offered up for the purposes of the leave motion.

[30] This complaint about a "moving target" statement of claim was advanced as part of the Defendants' arguments that they cannot legally be ordered to deliver a statement of defence. I, however, do not see how this complaint supports that particular argument.

[31] I rather regard the "moving target" complaint as a proper objection that if the Defendants are to be ordered to deliver a statement of defence, the content of the statement of claim needs first to be finalized.

[32] I agree that for the purposes of a leave or a certification motion, the content of the statement of claim needs to be finalized, and thus the approach should be to order a pleading to be finalized and to order that this pleading not be amended without leave of the court. I so order.

[33] The problem then becomes one of selecting which pleading to finalize for the purposes of the leave and certification motion. It makes common sense to select the pleading for which leave is being sought under the *Securities Act*; i.e. the Proposed Fresh as Amended Statement of Claim, and that indeed is my selection.

2. The Delivery of the Statement of Defence in Class Actions

[34] I turn now to the difficult issues of whether the Defendants can be ordered to deliver statements of defence, and if they can be ordered to plead, whether they should be ordered to plead.

[35] As will be seen shortly, the Defendants submit that they cannot be ordered to plead to a secondary market claim that does not exist unless and until leave is granted under s. 138.8 of the *Securities Act*. For present purposes, I will accept the correctness of this submission, but it does not follow that the Defendants cannot plead to that portion of the Proposed Fresh as Amended Statement of Claim that is not exclusively referable to the secondary market claims. Assuming that the Defendants are correct that there is a portion of the Proposed Fresh as Amended Statement of Claim to which they cannot be obliged to plead does not negate that there are portions of the Proposed Fresh as Amended Statement of Claim that can and should be answered by a statement of defence.

[36] The Defendants' submission rather means that rule 25.07 of the *Rules of Civil Procedure*, which provides the rules of pleading applicable to defences, needs to be amended for the purpose of the leave and certification motion so that defendants do not have to plead to a pregnant action under Part XXIII.1 of the *Securities Act* that may never be born.

[37] Rule 25.07 states:

Admissions

25.07 (1) In a defence, a party shall admit every allegation of fact in the opposite party's pleading that the party does not dispute.

Denials

(2) Subject to subrule (6), all allegations of fact that are not denied in a party's defence shall be deemed to be admitted unless the party pleads having no knowledge in respect of the fact.

Different Version of Facts

(3) Where a party intends to prove a version of the facts different from that pleaded by the opposite party, a denial of the version so pleaded is not sufficient, but the party shall plead the party's own version of the facts in the defence.

Affirmative Defences

(4) In a defence, a party shall plead any matter on which the party intends to rely to defeat the claim of the opposite party and which, if not specifically pleaded, might take the opposite party by surprise or raise an issue that has not been raised in the opposite party's pleading.

Effect of Denial of Agreement

(5) Where an agreement is alleged in a pleading, a denial of the agreement by the opposite party shall be construed only as a denial of the making of the agreement or of the facts from which the agreement may be implied by law, and not as a denial of the legality or sufficiency in law of the agreement.

Damages

(6) In an action for damages, the amount of damages shall be deemed to be in issue unless specifically admitted.

[38] To repeat, for the purposes of the leave motion where a party cannot be obliged to plead and for the combined certification motion, rule 25.07 needs to be revised to accommodate s. 138.8 of the *Securities Act*.

[39] Pursuant to the authority provided by s. 12 of the *Class Proceedings Act, 1992*, which authorizes the court to make any order it considers appropriate respecting the conduct of a class proceeding to ensure its fair and expeditious determination, I have the jurisdiction to revise the procedure for a class proceeding to accommodate s. 138.8 of the *Securities Act*, and I do so by notionally adding a new subrule 25.07 (7) as follows:

(7) In an action under the *Class Proceedings Act, 1992* for which leave is also being sought to commence an action under section 138.3 of the *Securities Act* (liability for secondary market disclosure), in a defence, a party who does not file an affidavit pursuant to rule 138.8 (2) and who delivers a statement of defence shall decline to either admit or deny the allegations of fact referable solely to his or her liability for secondary market disclosure and not referable to any other pleaded cause of action.

[40] Practically speaking, notional subrule 25.07 (7) divides the Defendants into three classes.

[41] First, there are those Defendants who deliver a s. 138.8 (2) affidavit under the *Securities Act*. These Defendants must deliver a statement of defence for the reasons expressed below.

[42] Second, there are those Defendants against whom there are no allegations of fact referable to liability for secondary market disclosure, who thus have no right or need to deliver a s. 138.8 (2) affidavit under the *Securities Act* and who choose to deliver a statement of defence. These plaintiffs may, if so advised, simply plead in the normal course.

[43] Third, there are those Defendants against whom there are allegations of fact referable to liability for secondary market disclosure and who do not deliver a s. 138.8 (2) affidavit but who deliver a statement of defence.

[44] Under notional rule 25.07 (7), these Defendants shall decline to either admit or deny the allegations of fact referable solely to his or her liability for secondary market liability and not referable to any other pleaded cause of action. These defendants must state that they neither admit nor deny the allegations contained in those paragraphs (*identify paragraph numbers*) of the statement of claim referable solely to liability for secondary market liability and not referable to any other pleaded cause of action. As will become clearer after the discussion below, by being required to neither admit nor deny allegations referable solely to secondary market liability, these Defendants cannot circumvent the requirements of s.138.8 (2) of the *Securities Act* that they must file an affidavit in order to set forth the material facts upon which they intend to rely for the leave motion.

[45] This brings the discussion and the analysis to whether there might be other reasons not to order the Defendants to deliver a statement of defence. The convention in class actions, which existed from 1996 to 2011, was that a defendant not be required to deliver a statement of defence pre-certification because of the likelihood that the statement of claim would be reformulated as a result of the certification decision and

based on the view that the statement of defence had little utility before certification. See *Mangan v. Inco Ltd.* (1996), 30 O.R. (3d) 90 at pp. 94-95 (Gen. Div.); *Glover v. Toronto (City)* [2008] O.J. No. 604 at para. 8 (S.C.J.).

[46] In *Pennyfeather*, I suggested that the convention should be revisited and that it was desirable that the pleadings be closed before the certification motion. See also *Kang v. Sun Life Assurance Company of Canada*, 2011 ONSC 6335.

[47] In *Pennyfeather* at paras. 37-38, 84-92, I stated:

37. Class actions are subject to the *Rules of Civil Procedure*, and there is nothing in the *Class Proceedings Act, 1992* that precludes defendants from pleading before the certification motion. It is informative that the convention of not closing the pleadings is not a statutory rule, and if the Plaintiff insists on the delivery of a pleading, a defendant may need to seek the permission of the court to delay the delivery of the pleading.

38. Moreover, the provisions of the *Class Proceedings Act, 1992* indicate that it was the Legislature's intention that the general rule is that the statement of defence should be delivered before the certification motion. Section 2 (3) of the Act indicates that the timing of the certification motion is measured by the delivery of the statement of defence.

84. ... it would be advantageous for the immediate case and for other cases, if the current convention ended and defendants were required in the normal course to deliver a statement of defence before the certification motion. As I will illustrate, there would be several advantages to this approach, and as I mentioned above, the Legislature intended that the general rule should be that the pleadings should be completed before the certification motion.

85. Before I provide some examples of the advantages of closing the pleadings before certification, it is helpful to recall that under s. 5 (1) of the *Class Proceedings Act, 1992*, a plaintiff must satisfy five interdependent criteria for his or her action or application to be certified as a class proceeding. The Plaintiff must: (1) show a cause of action; (2) identify a class; (3) define common issues; (4) show that a class proceeding would be the preferable procedure; and (5) qualify as a representative plaintiff with a litigation plan and adequate Class Counsel.

86. A major advantage of closing the pleadings is that controversies about the first of the five criteria for certification might be resolved or at least narrowed or confined before the certification motion.

87. The delivery of a statement of defence could be a fresh step that could foreclose any subsequent attack by the defendant for any pleadings irregularities and, more to the point, typically defendants do not deliver a statement of defence if there is a substantive challenge to the statement of claim. Rather, they bundle all their challenges to the statement of claim and bring a motion to have the statement of claim or portions of it struck out on both technical and substantive grounds. ...

88. In other words, the requirement of delivering a statement of defence will call out the defendant to make its challenges to the statement of claim and, thus, the s. 5 (1)(a) criterion might be removed as an issue as would any challenge to the pleading for wanting in particulars or for breaching the technical rules for pleading. The s. 5 (1)(a) criterion for certification might be decided before the certification motion.

89. If the defendant brings a comprehensive pleadings challenge before the certification motion, then, the s. 5 (1)(a) criterion would be resolved before the certification hearing one

way or the other. It would be particularly useful to resolve a s. 5 (1)(a) challenge before the certification motion when the challenge is based on the court not having subject-matter jurisdiction over the plaintiff's claim. If that challenge is upheld, then the class action would be dismissed or stayed and the enormous costs of a comprehensive certification motion is avoided.

90. Further, hearing an interlocutory motion about the sufficiency of the pleading might be preferable to having the challenge heard at the certification motion as an aspect of the s. 5 (1)(a) analysis because a common outcome of this analysis is to grant the plaintiff leave to amend his or her statement of claim, which outcome, at a minimum, exacerbates the complexities of determining the certification motion because of the interdependency of the certification criteria.

91. In many cases, the technical or substantive adequacy of a plaintiff's statement of claim is not an issue and, therefore, requiring the completion of the pleadings will involve no interlocutory steps and the analysis of the other four certification criteria would be facilitated by a completed set of pleadings.

92. For instance, having the Statement of defence before the certification motion would provide useful information for analyzing the preferable procedure criterion and the plaintiff's litigation plan. Moreover, it may emerge that there are issues worthy of certification in the defendant's statement of defence.

[48] For present purposes, I do not retreat from what I said in *Pennyfeather*, and I shall emphasize several points and add a few more. In this regard, I emphasize that it was the clear intention of the Legislature that the pleadings be closed before certification. I add that this makes sense because the certification criteria of class definition, common issues, preferable procedure, and litigation plan are best adjudicated in the context of the parameters of the action and it may emerge that the defendant has pleaded issues that may usefully be added to the list of common issues.

[49] Further, I add that the Legislature also indicated by s. 35 of the *Class Proceedings Act, 1992*, that the *Rules of Civil Procedure* apply to class proceedings, reserving the courts' authority to make adjustments to that procedure under s. 12 of the *Act*. Generally speaking, it is desirable to normalize class actions with the procedure under the *Rules of Civil Procedure*. The *Rules* are the norm for a fair procedure, and the norm of civil procedure is that both sides must disclose the case that their opponent must meet. Defendants are not like an accused in a criminal proceeding with a right to remain silent. It is not regarded as unfair or abnormal to compel a defendant to plead a statement of defence in response to a statement of claim.

[50] Further still, I add that having a complete set of pleadings recognizes the maturity of the class action jurisprudence. There already have been many Rule 21 and s.5 (1)(a) challenges, and the viability of many causes of action or types of claim as being suitable for class actions has been informed by twenty years of cases. Recognition of the maturity of the case law in and of itself calls for a rethinking of the convention of not delivering a statement of defence, because assisted by precedents of what has been certified in the past, plaintiffs are better able to exit the certification hearing with their pleadings intact.

[51] In other words, in contemporary times the Defendants' concern that they will have wasted time and effort pleading to a statement of claim that may be different after certification will not be borne out. In any event, the complaint of a wasted effort is overblown. Unless pleadings are to be regarded as a work of fictional literature, claims and defences are based on the material facts that existed, and competent counsel will take instructions about all the possible claims and defences that emerge from those set of facts before the certification motion.

[52] I find it hard to believe that the accomplished lawyers in the case at bar are waiting for the outcome of the leave motion and the certification motion before investigating the material facts and researching the applicable law and advising the Defendants about what defences are available to them. The truth of the matter is that the Defendants and their lawyers are not concerned about wasted time and effort but rather they do not wish to plead because they believe it is tactically better to avoid the disclosure of their case that the *Rules of Civil Procedure* would normally mandate.

[53] I see no unfairness of denying defendants a tactical maneuver that may be inconsistent with general principle of rule 1.04 that the rules "shall be liberally construed to secure, the just, most expeditious and least expensive determination of every civil proceeding on its merits."

[54] I also see no unfairness in denying defendants the tactical maneuver of not delivering a statement of defence before certification when the exchange of pleadings may be tactically and substantively beneficial to defendants. The defendants arguments that class membership is over-inclusive or under-inclusive, that the proposed common issues want for commonality, that the action is not manageable as a class action, that a class proceeding is not the preferable procedure, and that the litigation plan is deficient are best made when the defendants shows the colour of his or her eyes by pleading a defence and these arguments will be stronger than the "is! - is not! - is too!" sandbox arguments of many a certification motion. For whatever it is worth, my own observation from recent certification motions where defendants have pleaded before certification is that both sides and the administration of justice are better for it.

[55] Finally, from a public relations point of view - and class actions are by their nature of considerable interest to the public - I would have thought that many defendants would like to seize the opportunity by pleading the material facts of their defence to take the sting out of the plaintiff's argument that the defendants need behaviour management and to level the playing field about the certification criteria.

[56] Thus, generally speaking, I persist in my view that the pleadings issues should be completed before the certification motion. The Defendants' argue, however, that whatever may be the situation for class actions generally, the Court of Appeal's decision in *Sharma v. Timminco, supra*, has overtaken *Pennyfeather*, and *Sharma* means that in a proposed secondary market class action, a statement of defence cannot be demanded or delivered before leave is granted under s. 138.3 of the *Securities Act*. A defendant cannot be asked to plead to a pregnant statement of claim.

[57] The Defendants take the *Sharma* decision to be authority that a class proceeding is not an action commenced under s. 138.3 until leave is granted and leave is required to

add the s. 138.3 cause of action to the class proceeding. The Defendants submit that without leave, a s. 138.3 action cannot be enforced. As Sino-Forest put it in its factum: "Until leave has been granted, the plaintiff has nothing: no limitation periods are tolled, and no steps in the proceeding – including the filing of a defence – can be taken."

[58] This hyperbolic submission by Sino-Forest and by the rest of the Defendants is not true. Whatever the effect of *Sharma*, it did not take away s. 138.8 of the *Securities Act*, under which subsection (2) requires for the leave motion that the plaintiff and each defendant swear under oath the "material facts upon which each intends to rely."

[59] Section 138.8 of the *Securities Act*, which provides the test for leave and which governs the procedure for the leave motion, states:

Leave to proceed

138.8 (1) No action may be commenced under section 138.3 without leave of the court granted upon motion with notice to each defendant. The court shall grant leave only where it is satisfied that,

- (a) the action is being brought in good faith; and
- (b) there is a reasonable possibility that the action will be resolved at trial in favour of the plaintiff.

Same

(2) Upon an application under this section, the plaintiff and each defendant shall serve and file one or more affidavits setting forth the material facts upon which each intends to rely.

Same

(3) The maker of such an affidavit may be examined on it in accordance with the rules of court.

[60] Subsection 138.8 (2) may be usefully compared and contrasted with rule 25.06 (1) of the *Rules of Civil Procedure*, which is the predominant rule about pleading in an action. Rule 25.06 (1) states:

25.06 (1) Every pleading shall contain a concise statement of the material facts on which the party relies for the claim or defence, but not the evidence by which those facts are to be proved.

Both the subsection and the rule require the party to disclose to their opponent the "material facts" on which the party "relies." The pleadings rule, however, does not require that the disclosure of material facts be under oath. Assuming that a defendant does file an affidavit under s. 138.8 (2), then the affidavit is, in effect, an under oath version of 25.06 (1)'s requirement that a defendant disclose the material facts upon which he or she relies.

[61] I concede that filing an affidavit under s. 138 (8) is not mandatory and that it cannot be assumed that a defendant will deliver an affidavit for a leave motion under the *Securities Act*, and that he or she cannot be compelled to do so. In *Ainslie v. CV*

Technologies Inc. 93 O.R. (3d) 200 at paras. 14-20, 24-25 (S.C.J.), Justice Lax interpreted s. 138.8 (2), and she stated:

14. Section 138.8(1) sets out a two-part test for obtaining leave to bring an action under Part XXIII.1 of the OSA and places the onus on the plaintiffs to demonstrate that (1) their proposed action is brought in good faith and (2) has a reasonable prospect for success at trial. As s. 138.8(1) requires an examination of the merits, the plaintiffs submit that the section is supplemented with s. 138.8(2) and (3). They rely on the mandatory language in s. 138.8(2) ("and each defendant shall") and submit that without the benefit of this requirement and the ability to cross-examine, a plaintiff would be deprived of the tools necessary to meet the standard the legislature created in s. 138.8(1).

15. This submission ignores the legislative purpose of s. 138.8. The section was not enacted to benefit plaintiffs or to level the playing field for them in prosecuting an action under Part XXIII.1 of the Act. Rather, it was enacted to protect defendants from coercive litigation and to reduce their exposure to costly proceedings. No onus is placed upon proposed defendants by s. 138.8. Nor are they required to assist plaintiffs in securing evidence upon which to base an action under Part XXIII.1. The essence of the leave motion is that putative plaintiffs are required to demonstrate the propriety of their proposed secondary market liability claim before a defendant is required to respond. Section 138.8(2) must be interpreted to reflect this underlying policy rationale and the legislature's intention in imposing a "gatekeeper mechanism".

16. The plaintiffs appear to be interpreting s. 138.8(2) as if it read: "Upon an application under this section, the plaintiff and each defendant shall serve and file one or more affidavits." But, the subsection continues: "setting forth the material facts upon which each intends to rely". If there are no material facts upon which a defendant intends to rely in responding to a leave motion, how can it be that a defendant is required to file an affidavit? Similarly, if a defendant files one or more affidavits, how can a plaintiff require that defendant to file other affidavits? By discounting this language, the plaintiffs are proposing an interpretation which relieves them of their obligation to demonstrate that their proposed action meets the pre-conditions for granting leave under the Act.

17. The plaintiffs' interpretation also fails to address the language used in subsections (3) and (4). Section 138.8(3) reads: "The maker of such an affidavit may be examined on it in accordance with the rules of court." Section 138.8(4) reads: "A copy of the application for leave to proceed and any affidavits filed with the court shall be sent to the Commission when filed" (emphasis added). Had it been the intention of the legislature to require the parties to file affidavits, irrespective of the onus placed upon the moving party, the legislature would have substituted the word "the" for "any" in s. 138.8(4) and the words "the plaintiff and each defendant" for "maker" in s. 138.8(3). I also note that the legislature attached no consequences to the failure of "each defendant" to file an affidavit.

18. In terms of onus, a useful analogy can be found in the summary judgment rule, Rule 20, of the Rules of Civil Procedure. Rule 20.04 provides:

20.04(1) In response to affidavit material or other evidence supporting a motion for summary judgment, a responding party may not rest on the mere allegations or denials of the party's pleadings but must set out, in affidavit material or other evidence, specific facts showing that there is a genuine issue for trial.

19. Similar to s. 138.8(2), rule 20.04 utilizes language suggesting that a responding party "must" or "shall" file affidavit material. Notwithstanding the use of such language, under Rule 20, a responding party retains the option to counter the motion by simply cross-examining the moving party, rather than by leading any direct evidence on the motion. In

this regard, rule 20.04 has been interpreted as requiring the respondent to a summary judgment motion to "lead trump or risk losing". Notably, however, the onus to establish that there is no genuine issue for trial remains with the moving party. The onus does not shift to the respondent to show that a genuine issue for trial does in fact exist.⁸

20. Similarly, in a motion under s. 138.8 of the Act, the onus to demonstrate that the proposed claim meets the required threshold remains with the plaintiffs. The onus does not shift to the defendants. A defendant that does not "lead trump" by filing affidavit evidence in response to a motion under s. 138.8 may well take the risk that leave will be granted to the plaintiffs. It does not follow, however, that a defendant is obligated to file evidence or produce an affidavit from each named defendant. It is a well-established principle that, as a general proposition, it is counsel who decides on the witnesses whose evidence will be put forward.

24. In my view, the "gatekeeper provision" was intended to set a bar. That bar would be considerably lowered if the plaintiffs' view is correct. As I have already indicated, a defendant who does not file affidavit material accepts the risk that it may be impairing its ability to successfully defeat the motion for leave and is probably foregoing the right to assert the statutory defences under Part XXIII.1 of the Act. However, parties are entitled to present their case as they see fit and this includes the right to oppose the leave motion on the basis of the record put forward by the plaintiffs as GT intends, or on the basis of the affidavits of experts as CV intends. [page209]

25. To accept the plaintiffs' submissions would require each defendant to produce evidence that may not be necessary for the leave motion and would serve no purpose other than to expose those defendants to a time-consuming and costly discovery process. It would sanction "fishing expeditions" prior to the plaintiffs obtaining leave to proceed with their proposed action. This is an unreasonable interpretation of s. 138.8(2). It is inconsistent with the scheme and object of the Act. Properly interpreted, the ordinary meaning of s. 138.8(2) is that a proposed defendant must file an affidavit only where it intends to lead evidence of material facts in response to the motion for leave.

[62] In *Ainslie*, leave to appeal was granted [2009] O.J. No. 730 (Div. Ct.), but it appears that the appeal was never argued. In *Sharina v. Timminco Ltd.*, 2010 ONSC 790 at para. 32, I agreed with Justice Lax's interpretation of s. 138.8 (2).

[63] In the case at bar, I do not know whether any of the Defendants will deliver affidavits under s. 138.8 (2), but I do know that if a Defendant does deliver an affidavit, then its protest that it would be unfair to require a statement of defence loses its potency as does the urgency of the Plaintiffs' request that the Defendants be ordered to deliver their statements of defence. Delivering an affidavit under s. 138.8 is essentially the same as delivering a statement of claim or defence. As Justice Lax notes, a defendant who does not file affidavit material accepts the risk that it may be impairing its ability to successfully defeat the motion for leave. Justice Lax also notes that the defendant is probably foregoing the right to assert the statutory defences under Part XXIII.1 of the Act, but I would not necessarily go that far.

[64] Where this analysis takes me is that it while it would be inappropriate to order all the Defendants to deliver a statement of defence to a secondary market claim under the *Securities Act*, it would be proper to order that any Defendant who delivers an affidavit pursuant to s. 138.8 (2) of the *Act* shall also deliver a statement of defence. I so order.

[65] Although I am ordering only Defendants who deliver s. 138.8 (2) affidavits to deliver a statement of defence, I order that any other Defendant may, if so advised, deliver a statement of defence. I leave them to make the tactical decision whether or not to deliver a pleading. As I discussed above, there are advantages for a defendant to plead in a class action.

[66] For reasons that I will come to next, if a Defendant does deliver a statement of defence, the delivery is without prejudice to the Defendant's right to bring a Rule 21 motion or to challenge whether the Plaintiffs have shown a cause of action as required by s. 5 (1)(a) of the *Class Proceedings Act, 1992*.

[67] Here it should be noted that the "plain and obvious" test for disclosing a cause of action from *Hunt v. Carey Canada*, [1990] 2 S.C.R. 959, which is used for a Rule 21 motion, is used to determine whether the proposed class proceedings disclose a cause of action; thus, a claim will be satisfactory under s. 5 (1)(a) unless it has a radical defect or it is plain and obvious that it could not succeed: *Anderson v. Wilson* (1999), 44 O.R. (3d) 673 (C.A.) at p. 679, leave to appeal to S.C.C. ref'd, [1999] S.C.C.A. No. 476; 1176560 *Ontario Ltd. v. Great Atlantic & Pacific Co. of Canada Ltd.* (2002), 62 O.R. (3d) 535 (S.C.J.) at para. 19, leave to appeal granted, 64 O.R. (3d) 42 (S.C.J.), aff'd (2004), 70 O.R. (3d) 182 (Div. Ct.); *Healey v. Lakeridge Health Corp.*, [2006] O.J. No. 4277 (S.C.J.) at para. 25.

[68] In this last regard, the Defendants submitted that a defendant has a right to challenge whether the plaintiff has pleaded a reasonable cause of action by bringing a Rule 21 motion and a defendant would lose this procedural right if he or she delivered a statement of defence. Pleading over is a fresh step that deprives a defendant of the right to subsequently challenge the substantive adequacy of a pleading: *Bell v. Booth Centennial Healthcare Linen Services*, [2006] O.J. No. 4646 at paras. 5-7 (S.C.J.); *Cetinalp v. Casino*, [2009] O.J. No. 5015 (S.C.J.). From this true premise, the Defendants submit that since some or all of them wish to bring a Rule 21 motion or some or all will be challenging the reasonableness of the plaintiffs' statement of claim as an aspect of the s. 5 (1)(a) criterion of the of test for certification, they should not be required to deliver a statement of defence before the certification motion.

[69] The court's typical but not inevitable response to a Defendant's request to bring a Rule 21 motion before certification is to direct the motion to be heard at the certification hearing because the test for granting a Rule 21 motion is the same test that is applied for the s. 5 (1)(a) criterion for certification. Typically, when this direction is made the defendant is not required to deliver a statement of defence.

[70] As already noted, in the case at bar, several defendants have indicated that they wish to bring Rule 21 motions on the basis that several of the Plaintiffs' claims do not disclose a reasonable cause of action or on the basis that the bonds contain a "no suits" clause, and BDO Limited wishes to bring a Rule 21 motion based on the argument that it is plain and obvious that claims against it are statute-barred.

[71] I agree that the right of Defendants to challenge the reasonableness of the Plaintiffs' statement of claim should be preserved and protected and I also believe that

this objective can be accomplished while still permitting defendants to deliver a statement of defence.

[72] Once again, using the authority of s. 12 of the *Class Proceedings Act, 1992*, I order that if a Defendant delivers a statement of defence, then the delivery of the statement of defence is not a fresh step and the Defendant is not precluded from bringing a Rule 21 motion at the leave and certification motion or the Defendant is not precluded from disputing that the Plaintiffs have shown a cause of action under s. 5 (1)(a) of the *Class Proceedings Act, 1992*.

3. Leave and Certification

[73] The above discussion addresses the matter of the Plaintiffs' request that the Defendants be ordered to deliver statements of defence and the discussion also lays the foundation for the discussion of the Plaintiffs' request that the leave motion under s.138.8 the *Securities Act* and the certification motion under the *Class Proceedings Act, 1992* be heard together and the Defendants' counter-submission that the motions should be sequenced leave motion, Rule 21 motions, and certification motion.

[74] In the case at bar, there is a general consensus that the leave motion should go first, and, in any event, because of the Court of Appeal's ruling in *Sharma* that s. 28 of the *Class Proceedings Act, 1992* is useless in protecting claims under Part XXIII.1 of the *Securities Act* from limitation periods, the leave motion must go first, and I have scheduled ten days of hearing commencing November 21, 2012.

[75] The question then is whether the certification motion should be combined with the leave motion.

[76] The Plaintiffs submit that hearing the two matters together is consistent with the direction from the Ontario Court of Appeal and that Supreme Court of Canada that litigation by installments should be avoided wherever possible because it does little service to the parties or to the efficient administration of justice." *Garland v. Consumers' Gas Company Limited* (2001), 57 O.R. (3d) 127 at para. 76 (C.A.), aff'd [2004] 1 S.C.R. 629 at para. 90. The Plaintiffs note that leave and certification were dealt with together in *Silver v. Imax Corp.*, [2009] O.J. No. 5585 (S.C.J.), leave to appeal refused [2011] O.J. No. 656 (Div. Ct.) and in *Dobbie v. Arctic Glacier Income Fund*, 2011 ONSC 25.

[77] An admonition is different from a prohibition, and while the Court of Appeal and the Supreme Court may frown on litigation in installments, they did not prohibit it. Whether to permit motions before the certification motion is a matter of discretion. In exercising its discretion whether to permit a motion before the certification motion, relevant factors include : (a) whether the motion will dispose of the entire proceeding or will substantially narrow the issues to be determined; (b) the likelihood of delays and costs associated with the motion; (c) whether the outcome of the motion will promote settlement; (d) whether the motion could give rise to interlocutory appeals and delays that would affect certification; (e) the interests of economy and judicial efficiency; and (f) generally, whether scheduling the motion in advance of certification would promote

the fair and efficient determination of the proceeding: *Cannon v. Funds for Canada Foundation*, [2010] O.J. No. 314 (S.C.J.) at paras. 14-15

[78] Thus, in my opinion, the question to be decided in the immediate case is whether it is fair (the most important factor) and efficient to hear the certification motion and the leave motion together.

[79] Provided that any Defendants who deliver s. 138.8 (2) affidavits or any Defendants who deliver statements of defence may bring Rule 21 motions or otherwise challenge all of the certification criteria as they may be advised, I see no unfairness in having the certification motion heard along with the leave motion. Because of the orders that I shall make, already discussed above, a Defendant may challenge all of the certification criteria regardless of whether the Defendant has pleaded or not. Pursuant to notional rule 25.07 (7), Defendants who do not file a s. 138.8 (2) affidavit and who deliver a statement of defence "shall decline to admit or deny the allegations referable solely to liability for secondary market disclosure and not referable to any other pleaded cause of action." I see no unfairness to the Defendants who may resist both the certification motion and the leave motion as they may be advised.

[80] In contrast, the sequential approach being advocated by the Defendants is unfair to the Plaintiffs and to the proposed class and will impede fulfilling the purposes of the class proceedings legislation, which are first and foremost, access to justice, secondarily, judicial economy, and thirdly, behaviour modification, all the while providing due process and fairness to all parties. Unfortunately, the suffocating expense of motions in class actions along with the excruciating delays and the additional costs of the inevitable leave to appeal motions and appeals that follow class action orders is a serious barrier to achieving the purposes of the legislation for both plaintiffs and defendants and a substantial disincentive to class counsel employing the legislation for other than the huge cases that would justify the litigation risks.

[81] As night follows day, if I agreed to schedule sequentially, there would be a ten-day leave motion, followed by the unsuccessful party launching the appeal process which will take several years to resolve. Whatever the outcome of the appeal, the action will return to the Superior Court for the certification motion of the claims not referable solely to liability for secondary market disclosure.

[82] In the case at bar, if Rule 21 motions were permitted before the certification hearing although work that could be done at the certification hearing will be accomplished, this will come at the cost of another round of appeals that will take several years to resolve only for the action to return again to the Superior Court for the determination of whether the balance of the certification criteria have been satisfied. That determination will also be appealed.

[83] In contrast, if I combine the leave motion, the Rule 21 motions, and the certification motion into one hearing, as night follows day, the determination will be appealed but the superior court and the appellate courts including the Supreme Court of Canada will be denied the pleasure of three visits from one or two generations of Class and Defence Counsel.

[84] The Defendants argue that there will be no efficiencies in a sequential ordering of the motions because the criteria for leave differs from the certification criteria, as does the burden of proof for these motions. However, courts are obliged to have the perspicacity to be able to deal with different criteria and different onuses of proof, but, more to the point, the evidentiary footprint for the leave and certification motions are the same, and it makes for little efficiency for the parties and little judicial economy to have the evidence and argument for leave and for certification heard more than once.

[85] Putting aside the somewhat unique circumstances of BDO Limited, I conclude that the certification hearing should be combined with the leave motion and that with the exception of the Plaintiffs' funding motion, which has already been scheduled, there shall be no other motions before the leave and certification motion without leave of the court first being obtained.

4. BDO Limited's Request for a Rule 21 Motion

[86] As noted at the outset of these reasons, I am adjourning the motion as it concerns BDO Limited, whose circumstances may be unique.

[87] BDO was a party to the *Smith v. Sino-Forest* and the *Northwest v. Sino-Forest* rival class actions and it was added to the case at bar after the carriage motion. It submits that all of the statutory claims against it are statute-barred as in one of the main common law misrepresentation claims. It submits that it can diminish its involvement in this expensive litigation by a Rule 21 motion based on the pleadings and without evidence.

[88] The Plaintiffs' response was that if BDO wished to assert a limitation period defence it should be a pleaded defence to which the Plaintiffs would file a reply demonstrating that it was not plain and obvious that the claims were statute-barred or demonstrating that there were defences to the running of the limitation period, presumably based on fraudulent concealment or estoppel or waiver. The Plaintiffs also asserted that there were other common claims against BDO that were not statute-barred and thus there was no utility in permitting a Rule 21 motion that would see BDO only partially out of the action.

[89] BDO's response was that there were no defences that could withstand the ultimate limitation periods of the *Securities Act* and fairness dictated that it should be permitted to substantially reduce being embroiled in this litigation.

[90] My own assessment was that the Plaintiffs were correct in submitting that in the circumstances of this case, BDO should plead its limitation defence and the Plaintiffs should have an opportunity to deliver a reply.

[91] Once BDO has pleaded, I will be in a better position in determining whether to permit a Rule 21 motion or perhaps a Rule 20 partial summary judgment motion.

[92] Accordingly, I am adjourning the motion as it concerns BDO Limited to be brought on again, if at all, after BDO has pleaded its statement of defence and the Plaintiffs their Reply.

5. The Timetable

[93] In light of the discussion above, it is ordered that subject to adjustments, if necessary, made at a case conference, the timetable for the Plaintiff's Funding Approval Motion and for the Leave and Certification Motion is as follows:

Funding Approval Motion

March 9, 2012: Plaintiffs to deliver motion record (completed)

March 30, 2012: Defendants to deliver responding records, if any

April 6, 2012: Plaintiffs to deliver factum

April 13, 2012: Defendants to delivery factum

April, 17, 2012: Hearing of the motion

Leave and Certification Motion

April 10, 2012: Plaintiffs to deliver motion record

June 11, 2012: Defendants to deliver responding records

July 3, 2012: Plaintiffs to delivery reply records, if any

September 14, 2012: Cross-examinations to be completed

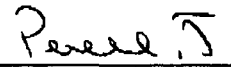
October 19, 2012: Plaintiffs to deliver factum

November 9, 2012: Defendants to deliver factum

November 21-30, 2012: Hearing of the motion

D. CONCLUSION

[94] An order shall issue in accordance with these Reasons with costs in the cause.


Perell, J.

Released: March 26, 2012

CITATION: Labourers' Pension Fund of Central and Eastern Canada v.
Sino-Forest Corporation, 2012 ONSC 1924
COURT FILE NO. 11-CV-431153CP
DATE: 20120326

**ONTARIO
SUPERIOR COURT OF JUSTICE**

BETWEEN:

The Trustees of the Labourers' Pension Fund of
Central and Eastern Canada, et al.

Plaintiffs

- and -

Sino-Forest Corporation et al.

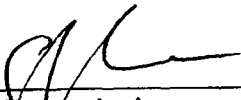
Defendants

REASONS FOR DECISION

Perell, J.

Released: March 26, 2012.

This is Exhibit "H" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

FOR IMMEDIATE RELEASE**SINO-FOREST COMMENTS ON SHARE PRICE DECLINE**

TORONTO, CANADA, June 3, 2011 – Sino-Forest Corporation (TSX: TRE) (“Sino-Forest” or the “Company”), a leading commercial forest plantation operator in China, today commented on the share price decline on June 2, 2011 as a result of the allegations made in a ‘report’ issued on a website by a short seller operating under the name Muddy Waters, LLC. The Company was not contacted by Muddy Waters for comment ahead of publication of its report.

The Board of Directors and management of Sino-Forest wish to state clearly that there is no material change in its business or inaccuracy contained in its corporate reports and filings that needs to be brought to the attention of the market. Further we recommend shareholders take extreme caution in responding to the Muddy Waters report.

As indicated in the report, Muddy Waters has a short position in the Company's shares and therefore stands to realize significant gains from a share price decline that it precipitated. Muddy Waters expressly admits that it makes no representation as to the accuracy, timeliness, or completeness of any information contained in its report. Further, its website discloses no address or ownership information, nor the credentials of any of the authors of the ‘report’. Neither the Ontario Securities Commission nor the Securities Exchange Commission website lists Muddy Waters or its author as being registered as an advisor. Nevertheless, due to the substantial impact that the report has had on the prices of the Company's securities and the reputation of the Company, the Board has appointed an independent committee consisting of three of the Company's independent directors, William Ardell (Chair), James Bowland and James Hyde. All three of these directors are financially qualified professionals and two of the three are recent appointees to the Board. The independent committee's mandate is to thoroughly examine and review the allegations contained in Muddy Waters' report, and report back to the Board. The independent committee has appointed Osler Hoskin & Harcourt LLP as independent legal counsel and will retain the services of an independent accounting firm and such other independent advisors as it deems necessary to assist with its examination. During the course of the independent committee's examination, the Company will provide any updates as appropriate. Following conclusion of the report, the key findings of the independent committee will be released to shareholders.

Allen Chan, Chairman and CEO of Sino-Forest commented: “We are committed to a high level of corporate governance and stand by the integrity of our company, our 16-year operational track record and our financial statements. Our company has continuously retained the services of internationally recognized law firms, auditors and expert consultants from Canada, the US, Hong Kong and mainland China.”

“It is important that our independent committee thoroughly address Muddy Waters' allegations, and they will have my full support and those of the management team in doing so. However, let me say clearly that the allegations contained in this report are inaccurate and unfounded. Muddy Waters' shock-jock approach is transparently self-interested and we look forward to providing our investors and other stakeholders with additional information to rebut these allegations.”

David Horsley, Senior Vice President and CFO of Sino-Forest commented: “I am confident that the independent committee's examination will find these allegations to be demonstrably wrong, as for example:

(a) Muddy Waters fundamentally misunderstands and misrepresents the most basic items in our published Management's Discussion & Analysis with respect to revenue generated from Yunnan Province, which we report as being approximately 45.5% of the Company's standing timber revenue of approximately US\$508 million. Muddy Waters alleges that it is impossible that such revenue existed because achieving such levels would greatly exceed allowable cutting quotas and it would be impossible to truck close to that volume in the period. However, that revenue was very clearly disclosed in our MD&A filed for Q1 and Q2 of 2010 as revenue resulting from the sale of the standing timber - there is no cutting or transport involved, as the trees were sold but not harvested and therefore are not considered part of the quota for the region until the harvesting is conducted by the buyers.

(b) Muddy Waters alleges that the Company overstated the assets in Yunnan Province, based on its erroneous and narrow assumption that our only purchases in Yunnan Province consisted of purchases of 20,574 ha of plantations in Gengma county in Yunnan. However, this allegation ignores the fact that in addition to the purchased plantations in Gengma county, (as disclosed in our 2010 annual MD&A of a total of approximately 193,000 ha purchased in Yunnan Province) we have purchased approximately 173,000 ha of plantations in approximately 25 other counties in Yunnan Province as of December 31, 2010."

As at December 31, 2010, the Company had approximately US\$1.26 billion in cash, cash equivalents and short term deposits as reported in the audited consolidated balance sheet. As at March 31, 2011, the comparable amount was approximately US\$1.09 billion. The Company continues to hold such cash, with the majority of it in banks in Hong Kong and offshore.

As previously announced, the Company intends to file its Q1 2011 results on June 14, 2011.

About Sino-Forest Corporation

Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. Sino-Forest also holds a majority interest in Greenheart Group Limited, a Hong Kong-listed investment holding company (HKSE: 00094) with operations based in Suriname, South America and New Zealand, which is involved in responsible and sustainable log harvesting, lumber processing and sales and marketing of logs and lumber products to China and other countries around the world. Sino-Forest's common shares have been listed on the Toronto Stock Exchange under the symbol TRE since 1995. Learn more at www.sinoforest.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

SINO-FOREST CORPORATION

Dave Horsley


- Senior Vice President & Chief Financial Officer

Tel: +905 281 8889

Email: davehorsley@sinoforest.com

Please note: This press release contains projections and forward-looking statements regarding future events. Such forward-looking statements are not guarantees of future performance of the Company and are subject to risks and uncertainties that could cause actual results and company plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties include, but are not limited to: changes in China's and international economies and in currency exchange rates; changes in market supply and demand for the Company's products, including global production capacity and wood product imports into China; changes in China's political and forestry policies; changes in climatic conditions affecting the growth of the Company's trees; competitive pricing pressures for the Company's products; and changes in wood acquisition and operating costs.

This is Exhibit "I" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

**FINAL REPORT OF
THE INDEPENDENT COMMITTEE OF THE BOARD OF DIRECTORS
OF SINO-FOREST CORPORATION**

Privileged & Confidential

January 31, 2012

TABLE OF CONTENTS

	Page
I. PROCESS SINCE NOVEMBER 13, 2011	2
II. RELATIONSHIPS	2
III. TIMBER ASSET PROOF OF CONCEPT	9
IV. ASSET VERIFICATION	13
V. ONTARIO SECURITIES COMMISSION	13
VI. OUTSTANDING MATTERS	13

GLOSSARY

SCHEDULES

SCHEDULE I: SECOND INTERIM REPORT – EXECUTIVE SUMMARY

Notes:

1. Capitalized terms used in this Final Report shall have the respective meanings ascribed to them in the Glossary.
2. The IC Advisors have conducted various investigative and review processes, all at the direction of, and subject to such scope limitations as the IC, in its judgment, deemed appropriate. This Final Report, while based on the work of such advisors, is the report of the IC and not the report of the IC Advisors.

INTRODUCTION

The IC was established by the Board on June 2, 2011 immediately following the release by Muddy Waters of the MW Report. The IC has issued two interim reports to the Board since that date, the first dated August 10, 2011 and the second dated November 13, 2011. The initial members of the IC were William Ardell (Chair), James Bowland and James Hyde. At the invitation of the IC, Mr. Garry West, an independent director of SF, has attended virtually all the IC meetings and participated in its process. Mr. Bowland resigned as a director and from the IC on November 3, 2011 following the delivery to the Board of the IC's draft Second Interim Report. The IC has formally met approximately 75 times, in most cases for several hours, and met informally and communicated by email almost daily, either as IC members or in another Board capacity.

As was noted in the Second Interim Report, the IC focused on the years 2006 and following and limited its process to the examination and review of the issues raised in three core areas: (i) timber asset verification; (ii) timber asset value; and (iii) revenue recognition. Overlaying or intertwined with the latter two areas were the issues raised by the MW allegations regarding related party transactions and relationships. These issues have proved to be very difficult to definitively resolve.

The Second Interim Report described the process undertaken by the IC in its examination and review of the allegations made in the MW Report, summarized the outcomes and findings resulting from such process and identified certain further steps which the IC intended to take. Attached as Schedule I to this report is the Executive Summary from the Second Interim Report which includes an overview of the IC's principal findings as to timber ownership, forestry bureau confirmations and Plantation Rights Certificates, book values of timber, revenue reconciliation, relationships, cash and the BVI structure. The Executive Summary also discusses the challenges encountered by the IC in conducting its process.

The Second Interim Report stated that, while the IC believed its work was substantially complete, there remained certain further steps which it intended to undertake as follows:

- review the information and analysis which had very recently been provided by Management and which was intended to respond to certain issues regarding relationships of the Company with AIs and Suppliers and between AIs and Suppliers as identified in Part IV of the Second Interim Report;
- work with management to engage an independent valuator; and
- such other steps as the IC, in its judgment, deemed advisable in the discharge of its mandate.

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing

returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

I. PROCESS SINCE NOVEMBER 13, 2011

The IC Advisors' privileged report on outstanding items as at the date of the Second Interim Report and limited processes conducted by the IC Advisors since November 13, 2011 (being the date of the IC's Second Interim Report) has been delivered to the Board. Many of those challenges, which are fully described in section C of the Executive Summary of the Second Interim Report, continued to affect the IC's process since November 13, 2011. See Schedule I.

The scope of review and the processes undertaken by the IC Advisors since November 13, 2011 were determined by the IC and have been subject to certain limitations. The IC, in its judgment, considers such limitations to be appropriate and in the best interest of the Company, having regard to the challenges referred to above, time constraints and cost/benefit considerations. This Final Report to the Board, while partially based on the work of the IC Advisors, is the report of the IC and not the work of the IC Advisors.

II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:

- book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited
- recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.

A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain. At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising there-from.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF. It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other set-off arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the

Privileged & Confidential

Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC. Kaitong's work on the information received from Management includes:

- Reconciling the annual transaction amount for each Supplier and AI with the purchase/sales detailed data, which were provided by Management;
- Checking registration documents filed with SAIC to verify the basic information (legal representative, shareholding structure and establishment date) of Suppliers and AIs; and
- Performing Internet searches on the backers including their current and past position, investment and news.

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

- (i) **Backers to Suppliers and AIs:** The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles, or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.
- (ii) **Suppliers and AIs with Former SF Personnel:** The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.
- (iii) **Common Shareholders Between Suppliers and AIs:** The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.
- (iv) **Transactions Involving Suppliers and AIs that have Shareholders in common:** The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same;

that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.

1. Backers to Suppliers and AIs

As noted above, the Kaitong Report explains the concept of backers of certain Suppliers and AIs. The Kaitong Report in effect supersedes certain of the information previously provided by Management and reported in the Second Interim Report (Part V.C.18(b)) concerning AIs and their supporters (then referred to as AI Holdcos or conglomerate).

The Kaitong Report states that all backers to Suppliers and AIs have strong business networks and good relations with various levels of the identified Chinese governments but does not explain the nature of the connections. The Kaitong Report stresses the importance of "Guanxi" in Chinese business, but is not specific as to particular benefits and why these particular relationships are important. The Kaitong Report contains little information to validate the political or business connections of such backers, or the nature of the relationship between the backers and the Suppliers or AIs. There is no documentary evidence of the nature of their support for their respective Suppliers or AIs nor the consideration (if any) received by the backers for their support of the Suppliers or AIs. The Kaitong Report suggests that such backers may provide resources that are important in China such as introductions, endorsements and connections.

As described in Schedule II, the IC Advisors conducted a review of the emails of twenty-three custodians using keyword searches related to the backers.

The documents identified by the IC Advisors from such review as being of potential interest showed no direct communication between backers and SF personnel. No additional substantive information was obtained from such email review or the interactions between the IC Advisors and Kaitong and management either on the relationships between SF and the backers or the roles and involvement of the backers in the business dealings between SF and the AIs and Suppliers. Management has advised that, while they were aware of certain backers of the AIs and Suppliers, the backers were not directly involved in the interactions with the Company. This appears to be borne out by the key word searches.

The SAIC information reviewed by the IC Advisors indicated one connection between an identified backer and an associated Supplier and the Kaitong Report indicates another between a backer and one of his associated Suppliers.

As described below, certain of the persons identified as backers of AIs were interviewed prior to the Second Interim Report and, in some cases, acknowledged an association with the AI for which the Kaitong Report identified them as its backer.

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors. The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

(a) New Suppliers

The Kaitong Report also addresses the observation in the Second Interim Report that several new Suppliers have appeared since 2009 and completed very large transactions with SF. The Kaitong Report states that Management advised that the main reason to have new Suppliers is that as the Company expands its business into new geographic regions, it needs Suppliers established in each such region. In addition, the Company would also like to balance the transactions among Suppliers so as to reduce dependency risk on certain Suppliers. Supplier #21, is named as one such Supplier. This Supplier has the same backer (Backer #24¹) and one similar shareholder (Shareholder #12 as to 70%) as the earlier supplier, Supplier #2, where Shareholder #12 is shown in SAIC filings as a 20% shareholder. This particular new Supplier is supplying in Sichuan Province, a relatively new area for SF.

(b) Backers to AIs

The Kaitong Report states that from 2006 to 2011 Sino-Forest sold timber to a total of 13 AIs and of these, 6 are supported by four backers. These backers are Backer #5, Backer #7, and Backer #3², Backer #2 and Backer #8. The Kaitong Report states that it is not known if the remaining 7 AIs have backers.

The IC Advisors have interviewed Backer #5, Backer #3 and Backer #2 prior to production of the Kaitong Report as former Management had identified them as associated with certain corporate entities then referred to as AI Holdcos or

¹ For the purposes of this report, certain persons or entities that were labelled as "Shareholder" in the Second Interim Report are referred to as "Backer" in this Final Report. The numeric portion of the assigned name of such persons or entities remains the same where previously referred to in the Second Interim Report.

² Formerly referred to as AI-Supplier Contact #3

conglomerates. All confirmed their associations with the relevant AIs, but did not produce any documentation verifying such association.

2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

(a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

(b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14, as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human

resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.

3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.

4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

Other than the immaterial timber parcel transaction referred to in Section II.B.3 above, which is a 2005 transaction, the IC believes that the Kaitong Report is accurate in respect of the specific transactions cited by it, except that it could not independently confirm the

information reported for sales from Suppliers with cross minority interests to AI #3 of timber parcels in Jiangxi Province due to the absence of detailed location information in the sales contracts.

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

The Second Interim Report indicated some potential connections between shareholders of Supplier #3 and two AIs that Management then associated with an entity called AI Conglomerate #1. No direct ownership was indicated between such AIs and AI Conglomerate #1 based on the SAIC filings reviewed, although the Kaitong Report indicates that the current owner of AI Conglomerate #1 is a backer of such AIs. The IC is also now satisfied that based on various corporate filings, there is no current cross ownership between AI Conglomerate #1 and Supplier #3. Further, the IC believes, based on its review of the timber purchase contracts between Supplier #3 and SF and the timber sales contracts between SF and AIs backed by the owner of AI Conglomerate #1 that there were no purchases and sales of the same timber with those parties during any period for which the IC believe there may have been cross ownership between shareholders of Supplier #3 and shareholders of AI Conglomerate #1 (or the two AIs). Further, Management has also provided the IC information suggesting that no proceeds from any sales to those AIs were redeployed to purchase timber from Supplier #3 or entities known to be controlled by its shareholder, Shareholder #3.

The IC notes that there were significant set-off payments from such AIs to Supplier #3 (approximately RMB 1.04 billion). Given Supplier #3 is a major Supplier and such AIs are major AIs, this is consistent with the BVI business model.

III. TIMBER ASSET PROOF OF CONCEPT

A. Background

The Second Interim Report discussed the absence of maps in documentation for BVI timber purchase transactions. In response to these concerns, Management provided information regarding various issues regarding the due diligence conducted prior to entering into a BVI timber purchase contract, including maps which in the case of timber purchases were provided through forestry bureaus.

Management also provided copies of news articles regarding foreigners being subject to criminal sanctions in China for possessing maps and other geographical information that were deemed to be classified as state secrets. The IC has reviewed these responses from Management and was unable to verify all of Management's assertions regarding forestry maps or that forestry mapping information would be regarded as subject to such sanctions but recognizes that this is an area of the law in China where a conservative approach may be prudent.

In mid December 2011, Management provided a document entitled "Detailed Description of Locating Forestry Resources in China" which explains how the locations of BVI standing timber assets are determined. This document has been provided to the Board.

It indicates that although certain types of stand maps and these land descriptions are available as part of PRCs, maps are not readily available for continuing possession by persons trading in standing timber without a lease as is the case of the transactions by SF's BVI model. Management indicates that such maps usually can be borrowed from forestry bureaus (but not retained) and are used by the survey companies as part of the Company's due diligence. Management believes the ability of a foreign company to retain such maps is unclear and has adopted a cautious approach to this issue. The advice received by the IC from independent forestry experts is that this practice is not inconsistent with the practice of other parties in China who buy and sell standing timber without leasing the underlying land.

B. Independent Review by Forestry Experts

(i) Background

The IC requested that a sample proof of concept exercise be undertaken by an independent forestry expert to determine if the specified areas of forest in a particular BVI purchase contract could be located and quantified by such party.

The IC determined that it was appropriate to use two forestry companies that were also being retained by the Company in connection with its restructuring and the valuation process associated therewith. These two independent forestry experts were Indufor Asia Pacific Limited ("Indufor") and Stewart Murray (Singapore) Pte. Ltd. ("Stewart Murray"). Members of the IC were involved in that retainer process. These entities had been retained through BJ for such valuation process and the report they provided was a report to BJ from Indufor on the work done by Indufor and Stewart Murray (collectively, the "Forestry Experts" and their report dated January 27, 2012, the "Forest Report"). The Forest Report has been delivered to the Board. The Forest Report describes the proof of concept asset verification process undertaken to determine if the net stocked area of two forest compartments purchased under two specific SF BVI timber purchase contracts could be verified.

The importance of such a "proof of concept" engagement is that it confirms the technology, methodology and reporting framework that can be used for the wider area verification of the SF estate, subject to access to maps meeting the standards described below.

(ii) Summary

As part of the proof of concept process and based upon information from SF, including maps that SF indicated were borrowed by SF's contract survey company from the relevant forestry bureaus, the Forestry Experts were then able to locate the two compartments in question and to relate them to the specific contracts. They measured the net stocked area of forest cover in the two compartments compared to the net stocked area for those compartments described in the survey attached to the contracts. Indufor reported that the actual net stocked area of the two selected compartments fell within six percent of the net stocked area recorded for those within the contract documents.

The analysis and findings of the report are limited solely to the two compartments described therein. Indufor states that no extrapolation of findings to the wider SF estate is possible or is implied.

(iii) The Process and Detailed Findings

The IC selected two compartments from ten possible compartment options suggested by the Forestry Experts.

The Forest Report indicates that the ten forest compartment options put forward to the IC met criteria requiring that the compartments:

1. were impartially selected by Indufor and Stewart Murray for the IC and not selected by SF;
2. were part of the SF purchased timber plantations located in Yunnan province of China;
3. were listed as being held by BVI entities and not by WFOE entities, and;
4. should cover multiple county forestry bureaus. It was the IC's intention to select compartments that were in different county forestry bureau jurisdictions.

The IC selected the following two compartments for the area verification process:

1. Purchase Contract STP-SUW-0409 dated January 7, 2011 and Survey Report STP-SUW-0409 dated 27 December 2010. Compartment 11. Located in Jianchuan county, near the township of Ma-teng. Jurisdiction of the Jianchuan County Forestry Bureau, with a stated area of 1145 mu (being 76.3 hectares).
2. Purchase Contract STP-SUW-0411 dated January 14, 2011 and Survey Report STP-SUW-0411 dated 5 January 2011. Compartment 44. Located in Heqing county, near the township of Beiya. Jurisdiction of the Heqing County Forestry Bureau, with a stated area of 957 mu (being 63.8 hectares).

The Forest Report summarizes the results of the proof of concept process as follows:

1. maps of the two compartments were provided by SF to Indufor, which SF indicated were borrowed by the contracted survey company from forestry bureaus;
2. the two maps clearly showed the extent of each compartment's boundary that corresponded to those in Surveys related to the contracts;
3. each compartment's boundary was able to be spatially located (geo-referenced) for use within a Geographic Information System;
4. the Forestry Experts located and physically visited the two forest compartments;
5. the use of recent high resolution satellite images allowed the removal of gaps and areas of unstocked forest from the calculation of each compartment's net stocked area;
6. the net stocked area calculated by the verification process for the two compartments slightly exceeded that stated in the forest survey reports attached to the SF purchase contracts for the compartments; and

7. it is important to reemphasise that no extrapolation of the area verification findings to the wider SF estate is possible.

The Forestry Experts utilized the maps as described above but were not permitted to retain them. Indufor has advised the IC that did not present any material issues to its process or conclusions. They confirm that the compartments were forested, but did not undertake an assessment of standing timber volume.

The Forestry Experts used the combined results of the field observations and satellite imagery to assess the net stocked area for each of the two forest compartments. Net stocked area is forested area and excludes any unstocked forest gaps. The following table compares the SF purchase contract areas and the net stocked area mapped by the Forestry Experts using remote sensing processes.

Table 1: Net Stocked Area Comparison of Purchase Contract vs. Assessed Area

Identification Reference	Purchase Contract Area (Ha.)	Assessed Area (Ha.)	Difference (Ha.)	Difference (%)
Compartment 11	76.3	80.5	4.2	+5.5%
Compartment 44	63.8	66.5	2.7	+4.2%

The exercise did prove the concept that was presented for testing – subject to the provision of adequate maps, it was possible to use a combination of remote sensing and ground inspection to assess the net stocked area. The Forestry Experts reported that it should indeed be possible for the Company to use the same technology, process and methodology as demonstrated in the Forest Report to verify the area and land cover status of its entire forest estate. The Forestry Experts observed and emphasised that the viability of such a large scale area verification exercise is critically dependent on having access to maps that meet certain standards, these being:

1. that the maps are provided in a format that is readily usable and reliable, be that in a high quality digital or paper format;
2. the maps are already geo-referenced, or can be readily and reliably geo-referenced; and
3. the maps clearly show the boundaries of each forest compartment or collection of forest compartments.

The Forestry Experts observed that the availability of maps meeting such specifications described above should enable an efficient area verification process of the wider SF estate to be undertaken. Forest compartment maps that did not meet such specifications would prevent their area from being verified.

The Forestry Experts therefore concluded that a large scale area verification exercise has to follow the sequence outlined below:

1. digital geo-referenced maps are combined with satellite images.
2. the locations of the necessary field sample sites are identified.
3. field sample sites are visited and the forest ground cover data are recorded.

4. the forest cover data are combined with the satellite images and the resulting net stocked area of each forest compartment can be measured.

The concept of testing a sample of BVI purchase contracts and survey information by forestry experts was discussed among the IC and counsel to the IC, although the design and testing of the proof of concept that was undertaken was a matter determined by the Forestry Experts within the parameters for selection of the two test areas determined by the IC.

The IC Advisors were not involved in the preparation of the Forest Report although such report was made available to them in order to assist counsel in advising the IC in the preparation of the Final Report.

IV. ASSET VERIFICATION

The Company's counsel has engaged Stewart Murray to assist the Company in compiling a full forest description and implementing a forest asset valuation framework as at December 31, 2011. This will enable Management to give its opinion and guidance as to the fair market value of the Company's forest assets to the Board. Stewart Murray will identify and report to the Board on the sources of data (and any assumptions therein) that are incorporated within the Company's forest description, including assigning and reporting the levels of confidence that surround key assumptions. This engagement is expected to expand to include a verification and validation process of the key components that underpin forest value involving both Stewart Murray and Indufor. The exercise will involve a highly structured process that will, over time, systematically assess the area of forest cover and merchantable volume across the SF estate. Members of the IC were involved in determining the scope and parameters of the engagement of Stewart Murray. The IC Advisors were not directly involved in the retainer process of such experts.

V. ONTARIO SECURITIES COMMISSION

The OSC sought extensive information from the IC in letters dated December 7, 2011 (7 pages) and December 22, 2011 (29 pages), much of which was information properly sought from the Company.

The IC advised the OSC on January 4, 2012 that it would respond to their extensive inquiries.

The IC has responded to the December 7th letter and a response to the December 22nd letter, which also requires input from the Company, is expected to be completed within a reasonable period of time after the completion of this report.

VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

GLOSSARY

“\$” means, unless otherwise specified, U.S. dollars;

“2010 AIF” or “b” means the Company’s annual information form for the year ending December 31, 2010;

“2010 Financial Statements” means the Company’s audited consolidated financial statements and the notes thereto as at and for the year ended December 31, 2010;

“2010 MD&A” means the Company’s management discussion and analysis for the year ending December 31, 2010;

“AI” means an authorized intermediary, an entity through which a BVI conducts its sales;

“AI HoldCo” means AI Conglomerate #1;

“Audit Committee” means the Audit Committee of the Board;

“BJ” means Bennett Jones LLP, Canadian counsel to the Company;

“Board” means the Board of Directors of SF;

“BVI” means a subsidiary of the Company incorporated in the British Virgin Islands;

“China” means The People’s Republic of China;

“Chop” means the seal typically used in place of signatures in China;

“Company” or “SF” or “Sino-Forest” means Sino-Forest Corporation and, where the context requires, its consolidated subsidiaries;

“CTO” means the cease trade order of the OSC dated August 26, 2010;

“E&Y” means Ernst & Young LLP, the auditor of the Company;

“Executive Summary” means the executive summary of the Second Interim Report, attached hereto as Schedule II;

“Final Report” means the final report of the IC to the Board dated January 31, 2012;

“Forest Report” the report of the Forestry Experts dated January 27, 2012 referred to in Section IIIB(i);

“forestry bureau confirmations” or “confirmations” means documents issued to the WFOEs and BVIs on letterheads with forestry bureau names and featuring Chops (the seal typically used in place of signatures) that indicate that they had been issued by the corresponding forestry bureau, but does not include new confirmations;

“Forestry Experts” means, collectively, Indufor and Stewart Murray;

G- 2 -

“**FTI**” means FTI Consulting, a consulting firm advising the Company;

“**GAAP**” means the generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook – Accounting as applicable to public companies in Canada;

“**Ha.**” means hectares, which is equivalent to 15 mu (statements of Ha. herein are approximate, given the rounding associated with the conversion of mu to Ha.);

“**IC**” means the Independent Committee to the Board;

“**IC Advisors**” means one or more of PwC, Osler, Mallesons and JH;

“**IMET**” means an Integrated Market Enforcement Team of the RCMP;

“**Indufor**” means Indufor Asia Pacific Limited;

“**JH**” or “**Chinese counsel**” means Jun He Law Offices, independent Chinese IC counsel;

“**Kaitong**” means a Chinese law firm retained by the Company;

“**Kaitong Report**” means the report of Kaitong dated January 20, 2012 regarding certain relationship issues;

“**Mallesons**” means Mallesons Stephen Jaques, independent Hong Kong counsel to the IC;

“**Management**” means, at any time, the management of SF at that time;

“**Mandra**” means Mandra Forestry Holdings Limited, a wholly-owned subsidiary of SF;

“**MD&A**” means management discussion and analysis;

“**mu**” means a Chinese unit of measure for area, which is equivalent to 0.067 Ha.;

“**Muddy Waters**” or “**MW**” means Muddy Waters, L.L.C.;

“**MW Report**” means the initial “research report” issued by Muddy Waters dated June 2, 2011;

“**OSC**” means Ontario Securities Commission;

“**Osler**” means Osler, Hoskin & Harcourt LLP, independent Canadian counsel to the IC;

“**Plantation Rights Certificate**” or “**PRC**” means a governmental registered certification of ownership issued by a forestry bureau in China to evidence certain forestry-related rights;

“**PwC**” means PricewaterhouseCoopers LLP, forensic accounting advisors to the IC;

“**RCMP**” means Royal Canadian Mounted Police;

“**RMB**” means Renminbi, the official currency of China;

G-3 -

“SAIC” means China’s State Administration for Industry and Commerce, the national authority responsible for administering industry and commerce;

“Second Interim Report” means the second interim report of the IC to the Board dated November 13, 2011;

“Stewart Murray” means Stewart Murray (Singapore) Pte Ltd.;

“Supplier” means a supplier to the Company of plantation assets, either rights to standing timber or plantation/land use rights or both;

“Survey Report” means a Forest Resource Survey Report that accompanies BVI timber purchase contracts;

“SW” means Sino-Wood Partners, Limited, a Hong Kong incorporated subsidiary of SF;

“WFOE” means a subsidiary of the Company incorporated in China as a “Wholly Foreign Owned Enterprise”; and

“Yuda Wood” or “Yuda” means Huaihua City Yuda Wood Co. Ltd, a Supplier.

Privileged & Confidential

SCHEDULE I
SECOND INTERIM REPORT - EXECUTIVE SUMMARY

A. Introduction

The IC was established by the Board on June 2, 2011, immediately following the release by Muddy Waters of the MW Report regarding SF. The members of the IC are William Ardell (Chair), James Bowland, and James Hyde. At the invitation of the IC, Mr. Garry West, an independent director of SF, attends virtually all IC meetings and participates in its process. Following the delivery to the Board of the IC's draft of this Second Interim Report on November 3, 2011, Mr. James Bowland resigned as a director and therefore from the IC. The mandate of the IC, in general terms, is to independently examine and review the serious and wide-ranging allegations made in the MW Report and report back to and, if appropriate, make recommendations to the Board. To date, the IC has met approximately 48 times.

The IC Advisors' role is to support the IC in its mandate to review the allegations made in the MW Report and related matters. The IC Advisors have conducted various investigative and review processes, all at the direction of, and subject to such scope limitations as the IC, in its judgment, deemed appropriate. (See Part IV.) This Second Interim Report to the Board, while based on the work of such advisors, is the report of the IC and (other than Schedule IV) not the report of the IC Advisors.

The IC's First Interim Report to the Board dated August 10, 2011 outlined the nature and scope of the IC's activities (principally data collection) to that date and the planned next steps. The purpose of this Second Interim Report is to report to the Board on the activities undertaken by the IC since mid-August, the outcomes and findings from such activities and further next steps. The First Interim Report is attached as Schedule I.A.

While the MW Report took a scatter gun approach in its allegations, the IC determined to address the issues raised in three core areas: (i) timber asset verification; (ii) timber asset value; and (iii) revenue recognition. Overlaying the latter two areas are the issues raised by the MW allegations relating to related party transactions. The IC also determined to focus on the years 2006 to 2010. Using this framework for its review, the IC's focus since its last report has been principally on:

- the ownership structure of timber assets on SF's balance sheet;
- verifying the Company's holdings of standing timber ("purchased plantations" as referred to in the 2010 AIF) and plantation land use/lease rights ("planted plantations" as referred to in the 2010 AIF, though some plantation land use/lease rights, such as the Mandra holdings, are classified as "purchased plantations" in the 2010 AIF), held through BVIs and WFOEs and the nature of its interests in such assets (see Part V below);
- interviewing Suppliers and AIs with a view to verifying the existence and nature of SF's relationship with such third parties and seeking to obtain financial particulars about purchase and sale transactions between such third parties and SF (see Part VI below); and

- examining and assessing the relationship with Yuda Wood, historically one of the largest Suppliers of standing timber to SF supplying approximately 21.5% of BVI timber purchases from 2008 through 2011 (see Section VI.A below).

The IC's work has also included:

- examining a number of specific situations which are the subject of MW allegations or critical newspaper articles (see e.g. Sections IV.B.6, VI.B and VI.C and Part VII below);
- engaging with and assisting E&Y in its examination of various issues relevant to its reports on the Company's financial statements (see Schedule IV attached);
- responding to questions and requests for documents and information from the OSC, including enquiries made through the Hong Kong securities authorities, in connection with its publicly announced investigation (see Part IX);
- meeting with and responding to requests for information from BJ and FTI;
- conducting interviews of certain members of Management;
- inspecting original versions of documents issued to the WFOEs and BVIs on letterheads with forestry bureau names and featuring Chops (the seal typically used in place of signatures) that indicate that they had been issued by the corresponding forestry bureau (the "forestry bureau confirmations"), and attending meetings with forestry bureaus in an attempt to verify the Company's holdings of standing timber;
- attending interviews of AIs and Suppliers, examining SF employee and other relationships with AIs and Suppliers (see Schedule IV attached); and
- meeting with and responding to requests for information from the RCMP (see Part XI).

In addition to the IC review, the MW Report has spawned various actions by public and private parties. These actions, which have affected the IC's activities and processes, include:

- an OSC investigation of matters related to SF;
- a review by E&Y of various matters relating to its 2010 and prior years' audits;
- three class action lawsuits in Ontario (one of which has a companion action in Quebec) by securities holders against the Company, its officers, E&Y and others;
- a threatened derivative claim against E&Y and certain officers and employees of the Company;

S - 3

- extensive newspaper and analyst reporting of the Company, including several in-depth investigative reports; and
- an enquiry by the RCMP through IMET.

While the IC believes its work is substantially complete, there remain certain further steps which it intends to undertake as follows:

- review the information and analysis very recently provided by Management intended to respond to certain issues regarding relationships of the Company with AIs and Suppliers and between AIs and Suppliers identified in this Second Interim Report (see Part VI);
- engage an independent valuator (see Part VIII);
- such other steps as the IC, in its judgement, deems advisable in the discharge of its mandate; and
- submit its final report and recommendations to the Board.

The IC expects to be able to deliver its final report to the Board prior to the end of 2011.

Privileged & Confidential

B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

Timber Ownership

Based on its review and subject to its comments herein, the IC has confirmed to its satisfaction that the Company has:

- registered title to approximately 151,000 Ha. of SW and SP planted plantations and Mandra plantations. This constitutes approximately 17.9% of its timber holdings by area as at December 31, 2010;¹ and
- contractual or other rights to approximately 683,000 Ha. of plantations, being 81.3% of its timber holdings by area as at December 31, 2010 (of these, the Company holds original Plantation Rights Certificates, issued in the name of the Supplier, representing approximately 15,000 Ha., which the IC believes gives the Company a demonstrable chain of title). See Section III.B.

In connection with such confirmation, the IC has reviewed originals or copies of purchase contracts (and the corresponding set-off documentation confirming payment, in the case of the BVI purchased plantations) for the acquisition by the Company of:

- approximately 467,000 Ha. of BVIs purchased plantations;²
- approximately 237,000 Ha. of WFOE purchased plantations;³ and
- approximately 129,000 Ha. of planted plantations⁴

representing approximately 106%⁵ of SF's disclosed timber holdings of 788,700 Ha. as at December 31, 2010. With respect to these holdings, the IC has verified to its satisfaction that the Company has registered title:

¹ Timber holdings by area as at December 31, 2010 have been calculated by adding approximately 51,000 Ha. of planted plantation land for which the Company has contracts but has yet to classify as plantations under management for the purposes of its annual disclosure, to the Company's disclosed plantation of holdings of 788,700 Ha.

² BVI purchased plantations are comprised of standing timber without underlying leases of land use rights.

³ The Company classifies this as being comprised of all WFOE (SP) standing timber and all Mandra leased plantations. Mandra leased plantations are considered to be "purchased" plantations in the Company's public disclosure because they were acquired through the 2010 acquisition of Mandra.

⁴ The Company classifies this as being comprised of all WFOE (SW and SP) leased plantations.

⁵ The Company's explanation for this figure being approximately 106% of its disclosed timber holdings as at December 31, 2010 is that the IC reviewed leases for approximately 51,000 Ha. of plantation land which were not included in the disclosed total of planted plantations of 77,700 Ha. as of December 31, 2010, due to a number of reasons, primarily because these lands had not yet been planted.

- via original Plantation Rights Certificates in the Company's name, to approximately 86,000 Ha. of WFOE purchased plantations,⁶ and approximately 43,000 Ha. of WFOE planted plantations;⁷ and
- via copies of Plantation Rights Certificates in the Company's name, to approximately 9,000 Ha. of WFOE purchased plantations, and approximately 12,000 Ha. of WFOE planted plantations.

In addition, as at December 31, 2010, the IC has determined that the Company has original or copies of forestry bureau confirmations relating to the acquisition of:

- approximately 467,000 Ha. of BVIs purchased plantations;
- approximately 89,000 Ha. of WFOE (SP) purchased plantations; and
- approximately 50,000 Ha. of WFOE (SP only) planted plantations.

The Company does not obtain registered title to BVI purchased plantations. In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved with the Suppliers in a manner satisfactory to the Company.

Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas. In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010⁸ and 133,040 Ha. as of March 31, 2011,⁹ and

⁶ These 86,000 Ha. of WFOE purchased plantations are composed of approximately 84,000 Ha. of leases under Mandra and approximately 2,000 Ha. of standing timber under SP.

⁷ These 43,000 Ha. of WFOE planted plantations are composed approximately of 31,000 Ha. of leases under SW and approximately 12,000 Ha. of leases under SP.

⁸ Composed of 106,446 Ha. of BVI plantations and 4,731 Ha. of WFOE planted plantations, of which 60,707 Ha. were confirmed in the Hunan Forestry Entity Confirmation. This amount is, however, different from the total 60,696 Ha. shown on the confirmation, which appears to arise from an addition error.

have acknowledged the issuance of existing confirmations issued to the Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.¹⁰

Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers. The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained. It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF. We note also that the independent valuation referred to in Part VIII below has not yet been completed.

Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, the IC was unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with set-off

⁹ Composed of 128,309 Ha. of BVI plantations and 4,731 Ha. of WFOE planted plantations, of which 60,707 Ha. were confirmed in the Hunan Forestry Entity Confirmation. This amount is however different from the total hectare of 60,696 shown on the confirmation, which appears to arise from an addition error.

¹⁰ Composed of 90,905 Ha. of BVI plantations and 22,153 Ha. of WFOE planted plantations.

S - 7

arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.

Relationships

- Yuda Wood: The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities). Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.
- Other: The IC's review has identified other situations which require further review. These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other. The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.
- Accounting Considerations: To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.

Cash

As reported in the IC's First Interim Report, as a precautionary measure, the IC requested that PwC confirm SF's cash balances. PwC did this as of June 13, 2011 for both China accounts and "offshore" accounts. A total of 293 accounts controlled by SF in Hong Kong were confirmed, representing 100% of the expected cash position. There are a very significant number of accounts held by SF in China (in excess of 260) and the logistics and requirements of in-person/in-branch verification in that country led the IC to confirm only a portion of the China accounts (28 accounts, representing approximately 81% of the expected China cash position). The IC was satisfied that SF's expected cash position existed as at the date of the confirmation. The Board should be aware that at the time of the cash confirmation process, SF only updated the details of its cash position quarterly, so the confirmation results must be considered in that context. The IC has instituted certain additional controls over cash

movements in excess of \$1 million held in SF Hong Kong bank accounts in order to provide the IC with some precautionary comfort during the examination process. Further, Management has advised that cash balances are now updated on a more frequent basis. See Part XII.

BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as undertaken by the BVIs could be considered to constitute "business activities" within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking "business activities" within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2.

Privileged & Confidential

C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

(a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register; and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes;
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of Chinese government authorities: many third parties explained their reluctance to provide requested documentation and information as being "for tax reasons" but declined to elaborate; and
- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy

surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

(c) Small Management Team: The Company has a very small executive management team and it is stretched by:

- demands from the IC, the OSC and E&Y;
- the placement on administrative leave in late August 2011 of certain members of Management by the Company, based upon the advice of BJ. These employees remained available to assist Management upon request on a supervised basis, which further stretched the remaining management;
- the appointment of a new Chief Executive Officer part way through the IC process; and
- the fact that Management is dispersed among Canada, Hong Kong and various parts of China.

(d) Cultural/Language/Geographic Issues:

- vast majority of operational documents are in Chinese;
- most Asia-based Management employees' first language is Chinese;
- business practices in China and the SF business model:
 - rely heavily on personal relationships; and
 - documentation of contractual arrangements is not as comprehensive as would be typical in Western jurisdictions, is often not done until after the transaction is agreed and is frequently incomplete;
- geographic and time distances for the North American-based teams;
- SF's operations in China are widely and remotely geographically dispersed, a number of plantations are close to sensitive border areas and some are accessible only by overland vehicle travel; and
- public records in China are more limited than in Western jurisdictions and are often not complete, accessible, up to date or accurate.

(e) Corporate Governance/Operational Weaknesses: Management has asserted that business in China is based upon relationships. The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of

plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company's business and in relation to North American practices; including:
 - incomplete or inadequate record creation and retention practices;
 - contracts not maintained in a central location;
 - significant volumes of data maintained across multiple locations on decentralized servers;
 - data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;
 - no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and
 - a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- no internal audit function although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

- (f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.
- (g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested. In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

Following the implementation of these administrative leaves and the subsequent appointment of Judson Martin as the new Chief Executive Officer of the company on August 26, 2011, the cooperation received by the IC Advisors from the Company improved significantly. As a result of Mr. Martin's direction, meetings have been arranged and held with Suppliers, AI's and additional forestry bureaus. In addition, as noted above, very recently, Management presented information regarding AIs and Suppliers and relationships among the Company and such parties. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board.

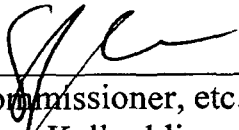
- (h) Independence of the IC Process: The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction. The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of

S - 13

scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

Privileged & Confidential

This is Exhibit "J" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

BN Sino-Forest Truth May Never Be Known as Ardell Defends Founder
Feb 13 2012 19:11:00

By Christopher Donville and Steven Frank

Feb. 14 (Bloomberg) -- Sino-Forest Corp. Chairman William Ardell says he found no sign of major fraud while overseeing an eight-month probe of the company. He also says a full account of the Chinese timber producer's activities and business ties may never be known.

"There has been no material evidence provided that would indicate that there has been a major fraud," Ardell said in an interview. "I can't give you a 100 percent guarantee as to everything."

Ardell led an independent committee of company directors charged with investigating allegations made by research company Muddy Waters LLC that Sino-Forest exaggerated its timber assets and operated a Ponzi scheme. The committee, which said in a report last month it may not be able to disprove some of the allegations, hasn't conclusively demonstrated that "there is timber there, and there is value there," Ardell said in the interview.

Once the largest Chinese forestry company by market value, Sino-Forest has lost shareholders about C\$3.3 billion (\$3.3 billion) since Muddy Waters published its report on June 2. Ardell and his colleagues are trying to pull the company out of a death spiral after its shares were suspended amid investigations by Canadian regulators and police, and Chief Executive Officer and founder Allen Chan stepped down.

The plight of Hong Kong- and Mississauga, Ontario-based Sino-Forest and its shareholders also has thrown a spotlight on contrasting Chinese and North American business practices. Ardell, 68, who spoke at his lawyer's office in Toronto on Feb. 4 and in three separate phone interviews, says his challenge now is to convince investors, regulators and auditors that the company's lack of transparency doesn't diminish its underlying value.

'Life Imploded'

"I have a belief in the business," Ardell said. "I have a belief in Allen Chan."

The first inkling Ardell had that his belief might be put to the test came the day Muddy Waters issued its report.

"Have you heard?" Ardell recalls his wife, Sherry, asking him by phone just after he'd finished 18 holes at Lambton Golf & Country Club in Toronto. "'Sino-Forest is a fraud.'"

"Life imploded at that point," Ardell said.

Sino-Forest shares slumped as much as 25 percent before being suspended on the Toronto Stock Exchange. They tumbled 64 percent the following day after trading resumed. Ardell, a Canadian who lives in Oakville, just outside Toronto, says he's spent four months in Hong Kong since then dealing with the fallout.

'Unjustifiable Black Hole'

Bloomberg - Your definitive source
If you need help on the BLOOMBERG press the HELP key twice
Copyright (c) 2012, Bloomberg, L. P.

BN Sino-Forest Truth May Never Be Known as Ardell Defends Founder
Feb 13 2012 19:11:00

Ardell started his career in accountancy and rose to become CEO of Southam Inc., once Canada's largest newspaper publisher, which was acquired in 1996 by Hollinger International Inc., the media company whose chairman and CEO at the time was Conrad Black.

He joined Sino-Forest as a director in 2010 and was appointed chairman in August to replace Chan, who resigned after the Ontario Securities Commission halted the stock pending an investigation.

Sino-Forest's structure makes documenting its assets and revenues difficult, according to Ardell. About 80 percent of its timber assets measured by value are held by subsidiaries based in the British Virgin Islands. Those units use suppliers and what the company calls "authorized intermediaries" in China to buy and sell timber and plantation harvesting rights.

The so-called BVI model and its use of intermediaries is "an unjustifiable black hole" that's been used to fabricate sales, avoid taxes and overstate the company's timber holdings, Muddy Waters said in its report.

Cash Flow

Ardell says the structure was put in place in the late 1990s to deal with rules barring foreign companies from leasing timberland and repatriating forestry profits.

With its profits marooned in China, Sino-Forest reinvested the money in more timberland while using some proceeds from sales of bonds and shares to cover operating costs, according to Ardell.

While it was the only way to organize the company, it meant "you can't see the cash move," he said. Ardell also says that helps explain why Sino-Forest doesn't have positive free cash flow or pay a dividend, both factors cited by Muddy Waters as evidence the company is a Ponzi scheme.

Since 2004, the company has been able to structure its Chinese units as so-called Wholly Foreign Owned Enterprises, which allows them to lease timberland and repatriate money, Ardell says. While Sino-Forest plans eventually to switch to this model entirely instead of the BVI structure, the timing isn't certain, he says.

No Maps

One of the few ways Sino-Forest can prove its ownership of standing timber is through purchase contracts negotiated with Chinese villages, communes and other leaseholders, Ardell says. Because they don't infer title to land, the contracts aren't registered with local government forestry bureaus, he says.

"There just isn't a central registry for sales and purchases of standing timber, and there wouldn't be in North America either," Ardell said.

What's more, Sino-Forest doesn't retain complete maps of some of its timber holdings because "there is a sensitivity in

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Sino-Forest Truth May Never Be Known as Ardell Defends Founder
Feb 13 2012 19:11:00

the Chinese government about maps being held by foreign-controlled companies," Ardell said.

The independent committee, aided by PricewaterhouseCoopers LLP, spent \$50 million on its investigation and reviewed more than 1.5 million documents, according to Ardell. It was hindered by a lack of cooperation from many of the suppliers and intermediaries involved in the BVI transactions, Ardell says.

Cash Holdings

"All of a sudden a lot doors closed very quickly" following the Muddy Waters report, he said.

A lack of documentation relating to corporate relationships was due partly to a lack of adequate internal controls and also to Chinese business practices, he says.

"The Chinese generally aren't as meticulous at record-keeping as in the West because so much of the business is based on personal relationships," said John Evans, a retired senior partner at Osler Hoskin & Harcourt LLP in Toronto who has known Ardell for more than 20 years. "A lack of documentation is very common in China."

The committee said in its final report published Jan. 31 that it wasn't able to confirm the existence of all the company's timber and cash holdings in China, or the full scope of Sino-Forest's relationships with its suppliers.

Bondholder Accord

"You can't spend that much time, money and witness managements' interference with your investigation and reasonably conclude that the fraud charges had no merit," Carson Block, a short seller and Muddy Waters founder, said Feb. 4 in a telephone interview.

Ardell says management hasn't interfered in the investigation.

After missing an interest payment on its 2016 convertible bonds in December, Sino-Forest reached an accord last month with a group of bondholders, in return ceding them a degree of control over its affairs. A restructuring committee is working to write a new plan for the company and deliver its report to bondholders by March 31.

Ardell says he's sticking with the company and continues to assist the Ontario Securities Commission and Royal Canadian Mounted Police investigations. Sino-Forest has commissioned two consulting companies to independently evaluate its holdings, which according to its website cover about 894,200 hectares (3,452 square miles) in China, an area about three times the size of Rhode Island.

"If I can demonstrate ownership, existence and value, the rest of it all goes away," Ardell said. "That's basically what the business is: Ownership and value."

For Related News and Information:

Sino-Forest news: TRE CN <Equity> CN BN <GO>

Bloomberg - Your definitive source

If you need help on the BLOOMBERG press the HELP key twice

Copyright (c) 2012, Bloomberg, L. P.

BN Sino-Forest Truth May Never Be Known as Ardell Defends Founder
Feb 13 2012 19:11:00

Stories about lumber: NI LUMBER <GO>
Top commodity stories: CTOP <GO>
Top Chinese stories: TOP CHINA <GO>

--Editors: Simon Casey, Jessica Resnick-Ault

To contact the reporters on this story:
Christopher Donville in Vancouver at +1-604-331-1310 or
cjdonville@bloomberg.net;
Steven Frank in Toronto at +1-416-203-5728 or
sfrank9@bloomberg.net

To contact the editor responsible for this story:
Simon Casey at +1-212-617-3143 or
scasey4@bloomberg.net

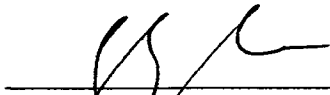
[TAGINFO]

7531396Z CN <Equity>
94 HK <Equity>

NI SHI
NI ACC
NI SEC
NI BFM
NI EXCLUSIVE
NI TORONTO
NI CMDMARKET
NI CRIME
NI OSC

-0- Feb/14/2012 00:10 GMT

This is Exhibit "K" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Sino-Forest Announces Resignation of Auditor

TORONTO, CANADA – April 5, 2012 - Sino-Forest Corporation ("Sino-Forest" or the "Company") (TSX:TRE) announced today that Ernst & Young LLP ("E&Y") has notified the Company that it has resigned as the Company's auditor effective April 4, 2012. In its resignation letter to the Company, E&Y noted that the Company had not prepared December 31, 2011 consolidated financial statements for audit and that, in the Company's March 30, 2012 filing under the *Companies' Creditors Arrangement Act*, Sino-Forest said that it remained unable to satisfactorily address outstanding issues in relation to its 2011 annual financial statements.

Sino-Forest intends to issue a press release containing the information required by National Instrument 51-102 ("NI-51-102") with respect to E&Y's resignation. Such press release will be issued within the time period prescribed by NI-51-102. Additional information with respect to the resignation of E&Y also will be available under the Company's profile on SEDAR at www.sedar.com in the form of reporting package required to be filed by the Company pursuant to NI -51-102.

About Sino-Forest Corporation

Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. Sino-Forest also holds a majority interest in Greenheart Group Limited (HKSE:00094), a Hong-Kong listed investment holding company with assets in Suriname (South America) and New Zealand and involved in sustainable harvesting, processing and sales of its logs and lumber to China and other markets around the world. Sino-Forest's common shares have been listed on the Toronto Stock Exchange under the symbol TRE since 1995. Learn more at www.sinoforest.com.

No stock exchange or regulatory authority has approved or disapproved of information contained herein. This news release contains forward-looking information within the meaning of applicable securities laws. The forward looking statements expressed or implied by this news release are subject to important risks and uncertainties. When used in this news release, the words "intends", "expects", and "will" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. The results or events predicted in these statements may differ materially from actual results or events and are not guarantees of future performance of Sino-Forest. Factors which could cause results or events to differ from current expectations include, among other things: actions taken by noteholders, other lenders, other creditors, shareholders, regulators, governmental agencies and other stakeholders to enforce their rights; the outcome of examinations currently underway by law enforcement, securities regulatory authorities; the outcome of class action or other proceedings which have been or may in future be initiated against the Company; the accuracy and outcome of the results of tree asset testing undertaken by the Company; our reliance on key employees; our ability to acquire rights to additional standing timber; our ability to meet our expected plantation yields; the cyclical nature of the forest products industry and price fluctuation in and the demand and supply of logs; our reliance on the relationship with local plantation land owners and/or plantation land use rights holders, authorized intermediaries, key customers, suppliers and third party service providers; our ability to operate our production facilities on a profitable basis; changes in currency exchange rates and interest rates; the evaluation of our provision for income and related taxes; economic, political and social conditions and government policy in China, the Republic of Suriname and New Zealand, and stock market volatility; and other factors not currently viewed as material that could cause actual results to differ materially from those described in the forward-looking statements. For additional information with respect to certain of these and other factors, see the reports filed by Sino-Forest Corporation with applicable Canadian securities administrators. Sino-Forest Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

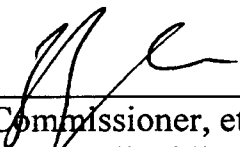
FOR INVESTOR INQUIRIES PLEASE CONTACT:
BRUNSWICK GROUP LIMITED
Tel: + 1 646 625 7452

FOR MEDIA INQUIRIES PLEASE CONTACT:
BRUNSWICK GROUP LIMITED
Email: sinoforest@brunswickgroup.com

New York
Stan Neve
Tel: +1 212 333 3810

Hong Kong
Tim Payne
Cindy Leggett-Flynn
Tel: +852 3512 5000

This is Exhibit "L" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(L8UC #55557F)



Sino-Forest Corporation

SINO-FOREST CONFIRMS ONTARIO SECURITIES COMMISSION INVESTIGATION

TORONTO, CANADA, June 8, 2011 – Sino-Forest Corporation (TSX: TRE) (“Sino-Forest” or the “Company”), a leading commercial forest plantation operator in China, today confirmed that the Ontario Securities Commission (“OSC”) has opened an investigation. The Company expected the OSC to take this step given its responsibility as the public regulator and the recent unusual trading activity and volatility in Sino-Forest’s stock price and the allegations contained in Muddy Waters’ report. The Company welcomes the OSC initiative and believes that the issues the OSC will seek to address will be consistent with the investigation commenced by an Independent Committee of the Board of Directors.

The Company has also formally requested that the Toronto Stock Exchange and the Investment Industry Regulatory Organization of Canada investigate the trading of the Company’s shares by Muddy Waters, LLC and its principal Carson Block and anyone associated with these persons in advance of the issuance of the Muddy Waters’ report.

The Company also intends to request an investigation by the Singapore Exchange Ltd in respect to the trading of the Company’s bonds.

About Sino-Forest Corporation

Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. Sino-Forest also holds a majority interest in Greenheart Group Limited, a Hong Kong-listed investment holding company (HKSE: 00094) with operations based in Suriname, South America and New Zealand, which is involved in responsible and sustainable log harvesting, lumber processing and sales and marketing of logs and lumber products to China and other countries around the world. Sino-Forest’s common shares have been listed on the Toronto Stock Exchange under the symbol TRE since 1995. Learn more at www.sinoforest.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

SINO-FOREST CORPORATION

Toronto

Dave Horsley

- Senior Vice President & Chief Financial Officer

Tel: +905 281 8889

Email: davehorsley@sinoforest.com

Hong Kong

Louisa Wong

- Senior Manager, Investor Communications & Relations

Tel: +852 2514 2109

Email: louisa-wong@sinoforest.com

BRUNSWICK GROUP LIMITED

Email: sinoforest@brunswickgroup.com

New York

Cindy Leggett-Flynn

Stan Neve de Mevergnies

Tel: +1 212 333 3810


Hong Kong

Tim Payne

Joseph Lo

Tel: +852 3512 5000

This is Exhibit "M" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

P.O. Box 55, 19th Floor
20 Queen Street West
Toronto ON M5H 3S8

CP 55, 19^e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF THE SECURITIES ACT

R.S.O. 1990, c.S.5; as amended

- and -

**IN THE MATTER OF
SINO-FOREST CORPORATION, ALLEN CHAN, ALBERT IP, ALFRED C.T. HUNG,
GEORGE HO AND SIMON YEUNG**

TEMPORARY O R D E R

(Section 127(1) & (5))

WHEREAS it appears to the Ontario Securities Commission (the "Commission") that:

1. Sino-Forest Corporation ("Sino-Forest") is a publicly traded Canadian company and a "reporting issuer" in Ontario and other provinces, as that term is defined in section 1(1) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act");
2. Allen Chan ("Chan") is Chairman and Chief Executive Officer ("CEO") of Sino-Forest;
3. Albert Ip ("Ip") is the Senior Vice President Development and Operations North-East and South-West China of Sino-Forest;
4. Alfred C.T. Hung ("Hung") is Vice-President Corporate Planning and Banking of Sino-Forest;
5. George Ho ("Ho") is Vice-President Finance of Sino-Forest;
6. Simon Yeung ("Yeung") is Vice President - Operation within the Operation / Project Management group of Sino-Panel (Asia) Inc., a subsidiary of Sino-Forest ("Yeung");
7. Since 2003, Sino-Forest has raised approximately \$2.986 billion from public investment and/or debt securities issues including four public offerings between 2004 and 2009 which approximately raised \$1.05 billion;
8. Sino-Forest has over 150 subsidiaries, the majority of which are registered in the British Virgin Islands and Peoples Republic of China ("PRC");

9. Sino-Forest's operations are predominately in the PRC and its management has offices in Hong Kong primarily and also in the PRC and Ontario;
10. Staff of the Commission is conducting an investigation into the activities and business of Sino-Forest and its subsidiaries and their management;
11. The Independent Committee of Sino-Forest has also been conducting an investigation into the activities and business of Sino-Forest and its subsidiaries and their management. As a result, Sino-Forest has recently suspended Ho, Hung, and Yeung temporarily and curtailed Ip's duties and responsibilities.
12. Sino-Forest, through its subsidiaries, appears to have engaged in significant non-arm's length transactions which may have been contrary to Ontario securities laws and the public interest;
13. Sino-Forest and certain of its officers and directors appear to have misrepresented some of its revenue and/or exaggerated some of its timber holdings by providing information to the public in documents required to be filed or furnished under Ontario securities laws which may have been false or misleading in a material respect contrary to section 122 or 126.2 of the Act and contrary to the public interest;
14. Sino-Forest and certain of its officers and directors including Chan appear to be engaging or participating in acts, practices or a course of conduct related to its securities which it and/or they know or reasonably ought to know perpetuate a fraud on any person or company contrary to section 126.1 of the Act and contrary to the public interest;

AND WHEREAS, the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in section 127(5) of the Act;

AND WHEREAS the Commission considers it to be in the public interest to make this order;

AND WHEREAS by Authorization Order made July 14, 2011, pursuant to subsection 3.5(3) of the Act, each of Howard I. Wetston, James E. A. Turner, Kevin J. Kelly, James D. Carnwath, Mary G. Condon, Paulette L. Kennedy, Vern Krishna, Christopher Portner and Edward P. Kerwin, acting alone, is authorized, to exercise the powers of the Commission under the Act, subject to subsection 3.5(4) of the Act, to make orders under section 17 of the Act.

IT IS HEREBY ORDERED that, pursuant to clause 2 of section 127(1) of the Act that all trading in the securities of Sino-Forest shall cease;

IT IS FURTHER ORDERED that pursuant to clauses 7 and 8 of section 127(1) of the Act that Chan, Ip, Hung, Ho and Yeung resign any and all positions that they hold as a director or officer of Sino-Forest or any other registrant and that they are prohibited from becoming or acting as director or officer of an issuer;

IT IS FURTHER ORDERED that pursuant to clause 2 of section 127(1) of the Act that all trading by Chan, Ip, Hung, Ho and Yeung in securities shall cease;

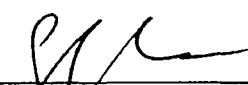
IT IS FURTHER ORDERED that, pursuant to section 127(6) of the Act that this order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission.

DATED at Toronto this 26th day of August, 2011.

"Howard Wetston"

Howard Wetston, Chair

This is Exhibit "N" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



MANAGEMENT

Sino-Forest's mission is to profitably supply quality, wood-based products, in a sustainable and socially responsible manner.

Sino-Forest is managed by a team of highly qualified executives with extensive experiences in the forestry sector and other industries.

Directors and Officers



William (Bill) E. Ardell
Chairman, Toronto

Appointed as Chairman on August 28, 2011; Lead Director from 2010; previously President & CEO and a director of Southam Inc. Bill was director for a number of public and private sectors, including not-for-profit organizations, serving in varying capacities as Chairman, Director, or member of the board committees. He began his career with Touche Ross in Montreal.



W. Judson Martin
Vice-Chairman and Chief Executive Officer, Hong Kong

Vice-chairman from 2010 and was appointed as CEO on August 28, 2011; prior to joining Sino-Forest's management team, Mr. Martin was Lead Director of the Board since 2007 and was Director since 2006; previously Senior Executive Vice President & Chief Financial Officer, Alliance Atlantis Communications Inc., Senior EVP, CFO & Chief Operating Officer, MDC Communications Corporation, President & CEO, Trilon Securities Corporation, EVP & CFO, Brookfield Development Corporation, Vice President Finance and Treasurer, Trizec Corporation Ltd.



Kai Kit (K.K.) Poon
President, Hong Kong

Director from 1994 to 2009; co-founder of Sino-Forest in 1992; previously worked fifteen years with Guangdong Forestry Bureau as engineer engaged in forest product trading and manufacturing.

Officers



David J. Horsley, CA, CBV, CF, C.Dir
Senior Vice President and Chief Financial Officer, Toronto

Senior Vice President and Chief Financial Officer since 2005; member of the Board from 2004 - 2006; former member of audit, compensation and corporate governance committees; Senior Vice President and CFO, Cygnal Technologies Corporation; previously Senior Vice President and Corporate Secretary, Canadian General Capital Limited.

Other Executives



Hua Chen, MBA
Senior Vice President, Administration & Finance, China

Joined Sino-Forest in 2002; previously board chair of Suzhou New-Development Area Economic Development Group, and managed large corporations and gained access to capital markets in China.



Wei Mao Zhao
Senior Vice President, Development & Operations, South & East China

Joined Sino-Forest in 2002; previously General Manager, Everbright Group Corp. with extensive experience in wood product manufacturing and knowledge of international wood material markets.



George Ho
Vice President, Finance (China); Hong Kong

Joined Sino-Forest in 2007; previously worked extensively in the auditing, accounting and consulting field for more than 13 years with several years of experience as CFO of a merchant bank's China operations.



Alfred C.T. Hung, CFA, FRM, MSc Finance
Vice President, Corporate Planning and Banking, Hong Kong

Joined Sino-Forest in 1999; previously gained nine years experience in investment research and management for several international firms.



Thomas M. Maradin
Vice-President, Finance (Corporate)

Joined Sino-Forest in 2005; previously worked five years for several multi-national corporations in financial reporting and internal control, regulatory compliance and system upgrading; previously worked fifteen years for Ernst & Young LLP, providing professional services in audit, taxation, risk management, strategic and business planning.

Independent Directors



James (Jamie) M.E. Hyde, CA, C.Dir
Toronto

Director since 2004; previously Vice President, Finance and Chief Financial Officer, GSW Inc., Executive Vice President and Chief Financial Officer, Resolve Business Outsourcing Income Fund, Former Partner, Ernst & Young LLP, where he provided for 24 years a board range of professional services to public and private companies.



Edmund Mak, MBA
Vancouver

Director since 1994; Associate Broker, Royal Pacific Realty Corporation; over thirty years with public, multi-national and private corporations in North America and Hong Kong, in the real estate, computer and high technology equipment, transportation, construction, oil & gas, textile and China trade industries.



Simon Murray, CBE
Hong Kong

Director since 1999; Chairman, GEMS (General Enterprise Management Services (International) Limited); thirty-five years in Asia; previously Executive Chairman, Asia Pacific, Deutsche Bank Group, Independent non-executive director of a number of listed companies in HKG including Cheung Kong (Holdings) Ltd., Orient Overseas (Int'l) Ltd., Wing Tai Properties Ltd., and non-executive director of Greenheart Group Ltd.



Peter Wang
Hong Kong

Director since 2007; Senior Commercial Consultant of Zijleng Copper of Zijleng Mining Group, a HKG-listed company; has over 30 years experience in Sino-foreign business affairs, predominantly related to petrochemical and mining industries, as well as wood-based panel industries.

Garry J. West



Toronto

Joined the Board in February 2011; former Partner at Ernst & Young; With 35 years of extensive financial experience including auditing, corporate restructuring, public financings and strategic planning initiatives for a number of major organizations; Director and Chair of the Audit Committee for two other TSX-listed companies; Fellow of the Ontario Institute Chartered Accountants.

Founding Chairman Emeritus



Allen T.Y. Chan
Founding Chairman Emeritus, Hong Kong

Co-founded Sino-Forest in 1992, Chairman & CEO from 1994 to 2011; over twelve years experience in project management and financing in China; management consultant and project manager in China; previously worked for Hong Kong government in new town development and management programs.

Corporate citizenship roles

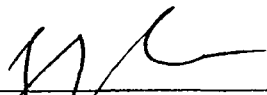
In 2008, Mr. Chan was appointed to join the Jiangxi Standing Committee of the Tenth Session of the Chinese People's Political Consultative Conference ("CPPCC"). CPPCC's government and non-government members discuss Chinese policies and principles. Its role and powers are somewhat analogous to an advisory legislative upper house. Also in 2008, Mr. Chan was appointed as Council Member of Renmin University of China ("RUC", also known as the People's University of China) for a three-year term.



Legal Disclaimer

Printer Friendly Page

This is Exhibit "O" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

» Print

This copy is for your personal, non-commercial use only.

Sino-Forest pitches debt-equity swap as last resort

Wed, Apr 4 2012

* Shareholders, court cases may pose more problems for scandal-hit Chinese company

By Jonathan Rogers

SINGAPORE, April 4 (IFR) - Scandal-ravaged Chinese timber company Sino-Forest is racing against time to convince bondholders to accept a debt-to-equity swap in a bid to salvage the remnants of its business.

The company said holders of 40% of its US\$1.8bn of outstanding notes had already signed up to a plan that will give them control of Sino-Forest's assets through a new holding company, pressuring the remaining holders to sign up by mid-May.

"The business in the PRC continues to deteriorate with every passing day," said Judson Martin, chief executive of Sino-Forest Corp (SFC), in a sworn affidavit submitted during the March 30 hearing.

"It has become clear (...) that the Sino-Forest business needs to be separated from the cloud that continues to hang over SFC if there is any future for that business (and thus value for SFC's stakeholders) to be preserved."

The Ontario Superior Court last Friday declared Toronto-listed Sino-Forest insolvent and granted it protection from its creditors while it thrashes out debt restructuring terms.

Court filings painted a tragic picture of a company that has lost access to the capital it needs to pay its suppliers in the wake of last June's allegations of fraud by research firm Muddy Waters.

Martin said the allegations have had a "catastrophic negative impact on Sino-Forest's business activities", stressing the urgent need for action.

But restructuring experts poured cold water on hopes of any swift resolution as unrealistic.

A Singapore debt restructuring expert described the debt restructuring proposal as a "pipedream" and suggested that any turnaround of the company was doomed to failure as it faces a barrage of class action suits from its equity and debt holders in the Canadian and US courts.

He predicted that Sino-Forest would struggle to get court approval to sell the assets. This is because the court must decide to "liquidate the claims" against Sino-Forest in the eight class action suits currently filed against the company.

Meanwhile, Richard Chandler Corporation, which owns 19.49% of the company, has hired its own team of advisers under Asian timber industry expert David Walker to prepare a radical corporate restructuring of Sino-Forest, potentially lining up a rival plan to protect the value of his equity stake.

Debt-for-equity swap

US-based restructuring adviser Houlihan Lokey has proposed a debt for equity swap in which the US\$1.8bn of outstanding debt will be swapped into the equity of a new holdco which will own Sino-Forest's assets. The equity in the new company will be paid out of asset sales. A 66.66% quorum of the noteholders is required for the plan to go through, with a May 15 early bird deadline set.

Those tendering consent before that date will receive a consideration of an additional 7.5% of the newco stock plus a further 3% in cash received from asset sales. Houlihan is also soliciting offers from third party buyers to purchase Sino-Forest's assets.

Timing a buyer will be less than straightforward, at least if the lack of full disclosure from the company thus far is anything to go by. According to documents filed by FTI Consulting, which is monitoring Sino-Forest's operations, the company has cash of just US\$70.5m-equivalent, versus US\$899m as of June 30, 2011.

"Sino-Forest's operations are now operating on a significant burn as they are being pressured to continue to honour payables while collecting minimal receivables and failing to generate significant new sales" said FTI in a filing.

Should the proposed plan win approval, bondholders will own 92.5% of the newco's stock plus a new secured bond. Proceeds from asset sales will be distributed as follows: coupons plus accrued interest up to March 31, a cash payment on the outstanding paper involving an 18% haircut, cash paid to early bird tenderers and then the remainder to equity holders. Some US\$20m of the company's capital will be set aside in a litigation trust to fund a US\$4bn suit against the research firm that first accused Sino-Forest of fraud last year.

Sino-Forest claims that a research note put out by Muddy Waters last June was defamatory and is claiming damages and a share of the profits it claims Muddy Water's owner and self-styled "head of research" Carson Block made through short positions held in Sino-Forest stock prior to the publication of the report.

Sino-Forest stock was suspended on the Toronto exchange last August amid fraud allegations against Allen Chan, the company's founder, and other senior management. Following the Muddy Waters report publication Sino-Forest's stock collapsed, wiping out more than US\$3.3bn of shareholders' equity. The Ontario Securities Commission in January extended a "cease-trade" order on the stock to April 16.

Good money after bad?

Richard Chandler, the Singapore-based billionaire behind the eponymous fund, faces heavy dilution should the debt for equity swap go ahead. The company is rumoured to have been buying up Sino-Forest bonds over the past few weeks, but in order to retain a 19.5% shareholding in the newco the Richard Chandler Corporation would need to control note with a principal value totalling US\$351m.

329

Even at distressed prices, that would require a significant outlay. The due 2017 dollar bonds were offered at around 25 cents on the dollar last week, suggesting Richard Chandler would need to stump up another US\$85m.

"You're not going to be able to buy that kind of size in Sino-Forest's paper in the open market. Investors with big positions will be holding out for the restructuring rather than taking a big capital loss by selling at a deep discount. And from the Richard Chandler Corporation's point of view, investing more to retain your equity holding level looks like throwing good money after bad," said a regional syndicate banker.

Richard Chandler could not be reached for comment.

Whatever the case, market observers expect the saga to drag on, perhaps taking a couple of years to be formally resolved, despite the tight deadline aspirations of Houlihan Lokey's plan.

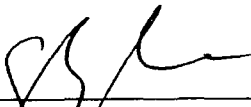
Sino-Forest's outstanding obligations include US\$399.2m of 10.25% senior notes due 2014, US\$600m of 6.25% senior notes due 2017 and two classes of convertible bonds. It has issued US\$345m of 5% CBs due 2013 and US\$460m of 4.25% CBs due 2016. (Reporting by Jonathan Rogers, editing by Steve Garton. IFR Asia)

© Thomson Reuters 2011. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

This copy is for your personal, non-commercial use only.

This is Exhibit "P" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

"Our 2011 financial year saw a strong performance in each of our four geographic Areas. All of our service lines showed growth, reflecting our focus on our core services."

332

Our combined global revenues were US\$22.9 billion for the financial year ended 30 June 2011, compared with US\$21.3 billion in 2010, a 7.6% increase. In local currency, revenues grew 5.3%.


Our 2011 financial year saw a strong performance in each of our four geographic Areas. All of our service lines showed growth, reflecting our focus on our core services, a better economic environment and renewed activity in the capital markets. Assurance revenues were up 5.0%, Tax 6.0%, Advisory 17.5% and Transaction Advisory Services 7.7%. Growth in all of our service lines was almost entirely organic, with acquisitions accounting for less than half a percentage point.

Over the past five years, we have invested more than US\$1.5 billion, mainly in the emerging markets. This commitment meant that we achieved another year of strong revenue across the emerging markets in 2011, with combined revenue growth of 20%. Brazil achieved organic revenue growth of 26%, while India, Africa, China and the CIS increased revenues 22%, 19%, 18% and 16%, respectively. Based on the success of this program, we will maintain this investment at comparable levels for the foreseeable future.

As a result of the improvement in our business, we've grown our headcount to 152,000. This represents an increase of nearly 11,000 people over the course of the 2011 financial year. In today's increasingly complex and diverse world, we are focused on building lifelong relationships with our people. Our aim is to have outstanding talent to provide our clients the best service wherever they do business.

Looking ahead, the economic outlook remains uncertain with slow growth in many developed markets, sovereign debt issues in the eurozone, and inflationary pressures in many emerging markets. Given these headwinds, it is more important than ever that we continue to remain focused on the important role that we play in the world's capital markets, in our profession, with our clients and with our people.

This is Exhibit "Q" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

What's next for Bank of America?

We are transforming our company —
making Bank of America simpler, more transparent,
easier to do business with and focused on
serving the needs of our customers and clients.

Bank of America Corporation — Financial Highlights

Bank of America Corporation (NYSE: BAC) is headquartered in Charlotte, N.C. As of December 31, 2011, we operated in all 50 states, the District of Columbia and more than 40 countries. Through our banking and various non-banking subsidiaries throughout the United States and in selected international markets, we provide a diversified range of banking and non-banking financial services and products through six business segments: Deposits, Card Services, Consumer Real Estate Services, Global Commercial Banking, Global Banking & Markets and Global Wealth & Investment Management. Bank of America is a member of the Dow Jones Industrial Average.

Financial Highlights (in millions, except per share information)

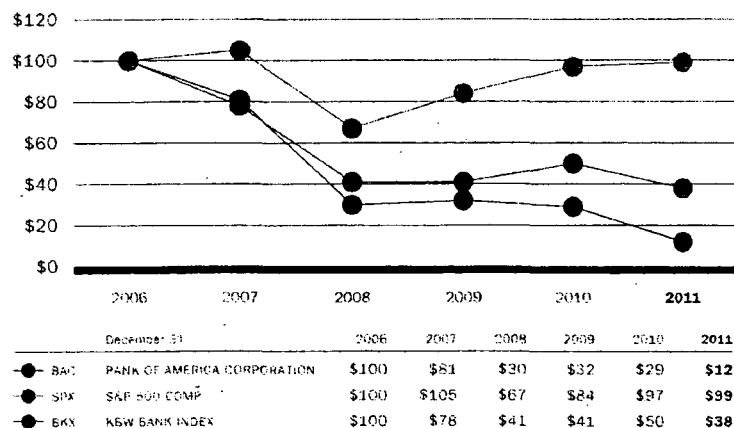
For the year	2011	2010	2009
Revenue, net of interest expense (FTE basis) ¹	\$ 94,428	\$ 111,390	\$ 120,944
Net income (loss)	1,446	(2,238)	6,276
Net income, excluding goodwill impairment charges ²	4,630	10,162	n/a
Earnings (loss) per common share	0.01	(0.37)	(0.29)
Diluted earnings (loss) per common share	0.01	(0.37)	(0.29)
Diluted earnings per common share, excluding goodwill impairment charges ²	0.32	0.86	n/a
Dividends paid per common share	0.04	0.04	0.04
Return on average assets	0.06%	n/m	0.26%
Return on average tangible shareholders' equity ³	0.96	n/m	4.18
Efficiency ratio (FTE basis) ¹	85.01	74.61	55.16
Average diluted common shares issued and outstanding	10,255	9,790	7,729
At year-end	2011	2010	2009
Total loans and leases	\$ 926,200	\$ 940,440	\$ 900,128
Total assets	2,129,046	2,264,909	2,230,232
Total deposits	1,033,041	1,010,430	991,611
Total shareholders' equity	230,101	228,248	231,444
Book value per common share	20.09	20.99	21.48
Tangible book value per common share ³	12.95	12.98	11.94
Market price per common share	5.56	13.34	15.06
Common shares issued and outstanding	10,536	10,085	8,650
Tier 1 common capital ratio	9.86%	8.60%	7.81%
Tangible common equity ratio ³	6.64	5.99	5.56

¹ Fully taxable-equivalent (FTE) basis, return on average tangible shareholders' equity and the efficiency ratios are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

² Net income (loss) and diluted earnings per common share ratios have been calculated excluding the impact of goodwill impairment charges of \$3.2 billion in 2011 and \$12.4 billion in 2010, and accordingly, these are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.

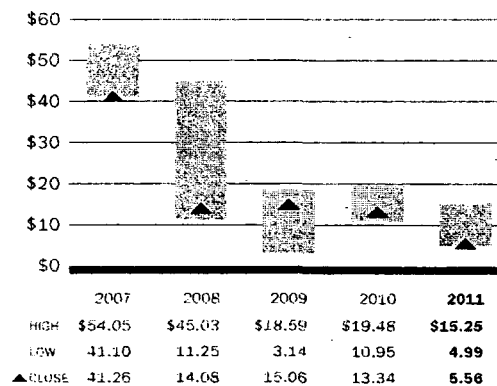
³ Tangible book value per share of common stock and tangible common equity ratio are non-GAAP financial measures. For additional information on these measures and ratios and a corresponding reconciliation to GAAP financial measures, see Supplemental Financial Data on page 32 and Statistical Table XV in the 2011 Financial Review section.
n/a=not applicable; n/m=not meaningful

Total Cumulative Shareholder Return⁴




⁴ This graph compares the yearly change in the Corporation's total cumulative shareholder return on its common stock with (i) the Standard & Poor's 500 Index and (ii) the KBW Bank Index for the years ended December 31, 2007 through 2011. The graph assumes an initial investment of \$100 at the end of 2006 and the reinvestment of all dividends during the years indicated.

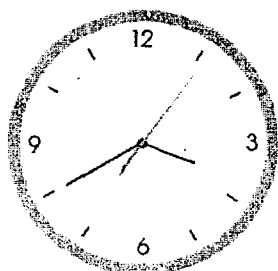
BAC Five-Year Stock Performance



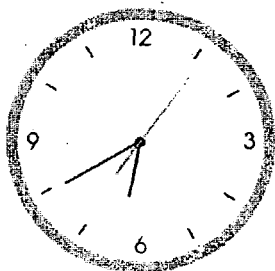
This is Exhibit "R" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



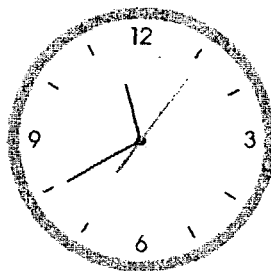
A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



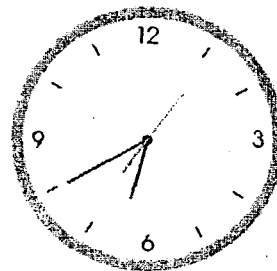
VANCOUVER
SAN FRANCISCO



NEW YORK
TORONTO



LONDON
EDINBURGH



BEIJING
SHANGHAI

A WORLD OF OPPORTUNITY

CANACCORD FINANCIAL INC. 2011 ANNUAL REPORT

Financial Highlights

SELECTED FINANCIAL INFORMATION⁽¹⁾⁽²⁾

(C\$ thousands, except per share and % amounts, and number of employees)	For the years ended March 31			
	2011	2010	2011/2010 Change	
CANACCORD FINANCIAL INC.				
Revenue				
Commission	\$ 294,650	\$ 235,606	\$ 59,044	25.1%
Investment banking	327,499	215,237	112,262	52.2%
Advisory fees	84,914	39,200	45,714	116.6%
Principal trading	43,644	45,982	(2,338)	(5.1)%
Interest	24,040	12,965	11,075	85.4%
Other	28,884	28,547	337	1.2%
Total revenue	\$ 803,631	\$ 577,537	\$ 226,094	39.1%
Expenses				
Incentive compensation	391,050	299,084	91,966	30.7%
Salaries and benefits	64,420	59,415	5,005	8.4%
Other overhead expenses ⁽³⁾	194,975	162,397	32,578	20.1%
Acquisition-related costs	12,740	5,000	7,740	154.8%
Total expenses	\$ 663,185	\$ 525,896	\$ 137,289	26.1%
Income before income taxes	140,446	51,641	88,805	172.0%
Net income	\$ 98,234	\$ 38,497	\$ 59,737	155.2%
Basic earnings per share	\$ 1.35	\$ 0.79	\$ 0.56	70.9%
Diluted earnings per share	\$ 1.20	\$ 0.69	\$ 0.51	73.9%
Return on average common equity (ROE)	14.0%	9.8%	4.2 p.p.	
Dividends per share	\$ 0.275	\$ 0.15	\$ 0.125	83.3%
Book value per diluted common share – period end	8.79	6.96	1.83	26.3%
EXCLUDING ACQUISITION-RELATED ITEMS⁽⁴⁾				
Total expenses	\$ 645,319	\$ 520,896	\$ 124,423	23.9%
Net income	112,617	42,043	70,574	167.9%
Basic earnings per share	\$ 1.54	\$ 0.86	\$ 0.68	79.1%
Diluted earnings per share	\$ 1.38	\$ 0.76	\$ 0.62	81.6%
BALANCE SHEET DATA				
Total assets	\$ 5,110,372	\$ 3,123,848	\$ 1,986,524	63.6%
Total liabilities	4,353,849	2,722,103	1,631,746	59.9%
Total shareholders' equity	756,523	401,745	354,778	88.3%
Number of employees	1,684	1,549	135	8.7%

⁽¹⁾ Data is considered to be GAAP except for ROE, book value per diluted common share, figures excluding acquisition-related items and number of employees.

⁽²⁾ Data includes the results of Genuity since the closing date of April 23, 2010. Results of TBG since the closing date of January 17, 2011 are also included.

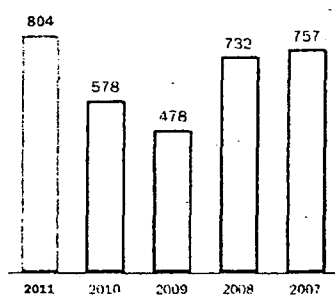
⁽³⁾ Consists of trading costs, promises and equipment, communication and technology, interest, general and administrative, amortization of tangible and intangible assets, and development costs.

⁽⁴⁾ Figures excluding acquisition-related items are non-GAAP measures. See non-GAAP measures on page 23 and Selected Financial Information Excluding Significant and Acquisition-Related Items on page 32.

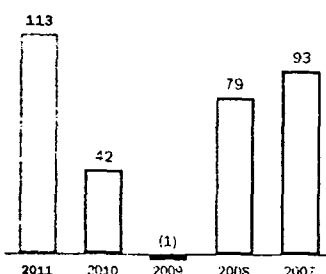
p.p.: percentage points

n.m.: not meaningful

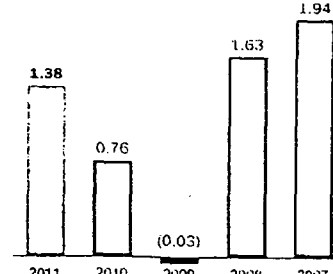
REVENUE FOR FISCAL 2011
(C\$ millions)



NET INCOME FOR FISCAL 2011
(C\$ millions, excluding acquisition-related and significant items)



DILUTED EPS FOR FISCAL 2011
(C\$, excluding acquisition-related and significant items)



This is Exhibit "S" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.

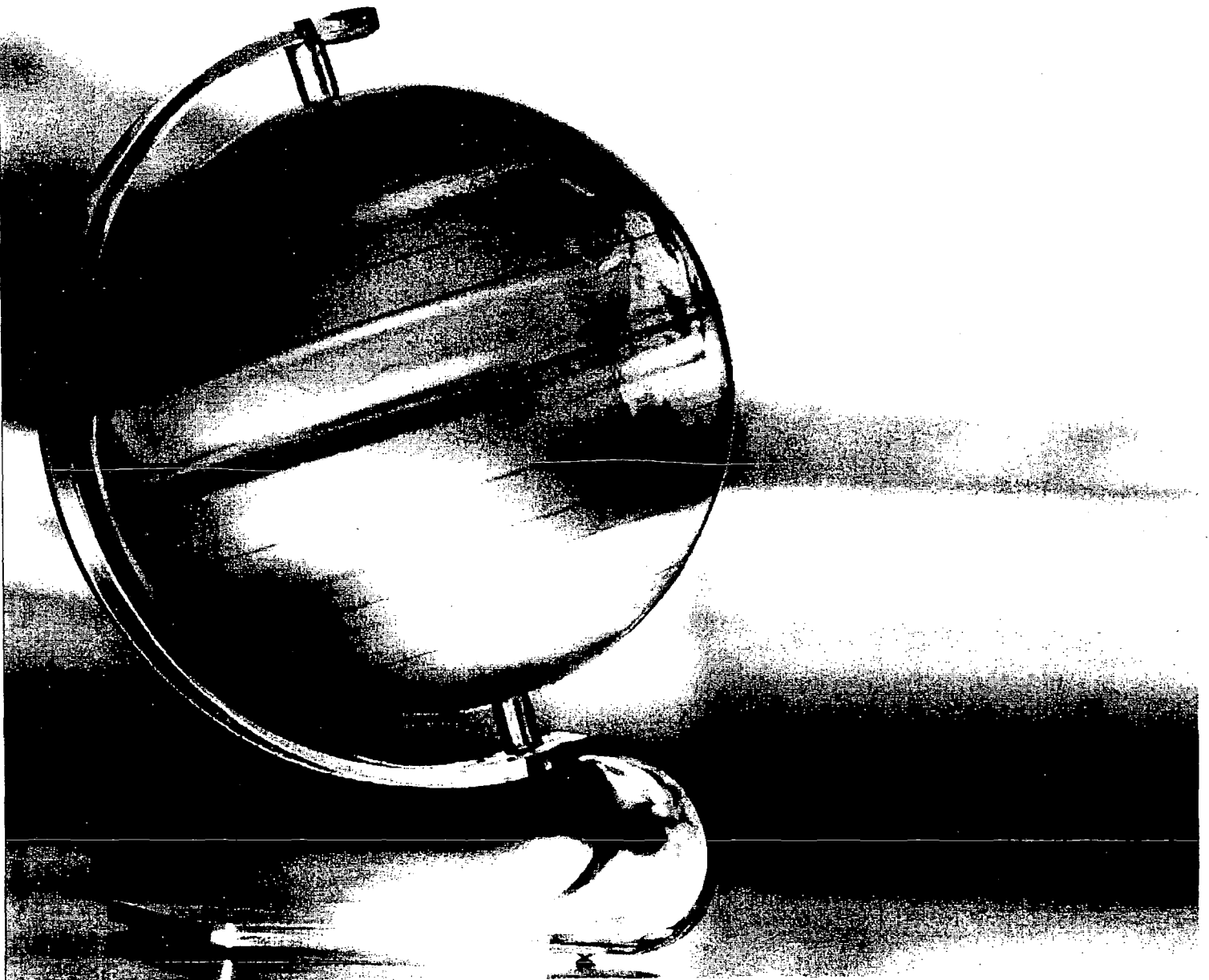


A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



2011 Annual Report

Strong fundamentals in a changing world



Consolidated financial statements

Consolidated statement of operations

\$ millions, except as noted, for the year ended October 31	2011	2010	2009
Interest income			
Loans	\$ 7,708	\$ 7,288	\$ 7,183
Securities	1,963	1,562	1,705
Securities borrowed or purchased under resale agreements	365	193	324
Deposits with banks	63	52	85
	10,099	9,095	9,297
Interest expense			
Deposits	2,787	2,192	2,879
Other liabilities	747	476	785
Subordinated indebtedness	215	188	208
Preferred share liabilities (Note 17)	—	35	31
	3,749	2,891	3,903
Net interest income	6,350	6,204	5,394
Non-interest income			
Underwriting and advisory fees	514	426	478
Deposit and payment fees	756	756	773
Credit fees	381	341	304
Card fees	99	304	328
Investment management and custodial fees	486	459	419
Mutual fund fees	849	751	658
Insurance fees, net of claims	320	277	258
Commissions on securities transactions	496	474	472
Trading (loss) income (Note 12)	(74)	603	(531)
AFS securities gains, net (Note 4)	407	400	275
FVO losses, net (Note 13)	(134)	(623)	(33)
Income from securitized assets	1,063	631	518
Foreign exchange other than trading	237	683	496
Other	499	399	119
	5,899	5,881	4,534
Total revenue	12,249	12,085	9,928
Provision for credit losses (Note 5)	841	1,046	1,649
Non-interest expenses			
Employee compensation and benefits	4,163	3,871	3,610
Occupancy costs	664	648	597
Computer, software and office equipment	994	1,003	1,010
Communications	297	290	288
Advertising and business development	214	197	173
Professional fees	179	210	189
Business and capital taxes	38	88	117
Other	801	720	676
	7,350	7,027	6,660
Income before income taxes and non-controlling interests	4,058	4,012	1,619
Income tax expense (Note 22)	969	1,533	424
	3,089	2,479	1,195
Non-controlling interests	10	27	21
Net income	\$ 3,079	\$ 2,452	\$ 1,174
Preferred share dividends and premiums (Note 17)	(177)	(169)	(162)
Net income applicable to common shares	\$ 2,902	\$ 2,283	\$ 1,012
Weighted-average common shares outstanding (thousands)			
— Basic	396,233	387,802	381,677
— Diluted	397,097	388,807	382,442
Earnings per share (in dollars) (Note 23)			
— Basic	\$ 7.32	\$ 5.89	\$ 2.65
— Diluted	\$ 7.31	\$ 5.87	\$ 2.65
Dividends per common share (in dollars) (Note 17)	\$ 3.51	\$ 3.48	\$ 3.48

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these consolidated financial statements.

Consolidated financial statements

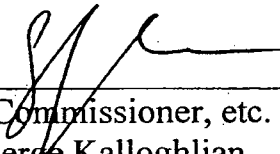
Consolidated statement of comprehensive income

\$ millions, for the year ended October 31	2011	2010	2009
Net income	\$ 3,079	\$ 2,452	\$ 1,174
Other comprehensive income (OCI), net of tax			
Net foreign currency translation adjustments			
Net gains (losses) on investment in self-sustaining foreign operations	(92)	(290)	(523)
Net (gains) losses on investment in self-sustaining foreign operations reclassified to net income	41	1,079	135
Net gains (losses) on hedges of investment in self-sustaining foreign operations	13	88	392
Net (gains) losses on hedges of investment in self-sustaining foreign operations reclassified to net income	(37)	(957)	(142)
	(75)	(80)	(138)
Net change in AFS securities			
Net unrealized gains (losses) on AFS securities	110	303	462
Net (gains) losses on AFS securities reclassified to net income	(140)	(230)	(236)
	(30)	73	226
Net change in cash flow hedges			
Net gains (losses) on derivatives designated as cash flow hedges	(37)	(9)	(26)
Net (gains) losses on derivatives designated as cash flow hedges reclassified to net income	16	25	10
	(21)	16	(16)
Total OCI	(126)	9	72
Comprehensive income	\$ 2,953	\$ 2,461	\$ 1,246

\$ millions, for the year ended October 31	2011	2010	2009
Income tax (expense) benefit			
Net foreign currency translation adjustments			
Net gains (losses) on investment in self-sustaining foreign operations	\$ (1)	\$ (1)	\$ 34
Net (gains) losses on hedges of investment in self-sustaining foreign operations	(2)	(18)	(120)
Net (gains) losses on hedges of investment in self-sustaining foreign operations reclassified to net income	21	536	104
Net change in AFS securities			
Net unrealized gains (losses) on AFS securities	(29)	(100)	(151)
Net (gains) losses on AFS securities reclassified to net income	30	68	111
Net change in cash flow hedges			
Net gains (losses) on derivatives designated as cash flow hedges	13	3	13
Net (gains) losses on derivatives designated as cash flow hedges reclassified to net income	(4)	(3)	(9)
	\$ 28	\$ 485	\$ (18)

The accompanying notes and shaded sections in "MD&A – Management of risk" are an integral part of these consolidated financial statements.

This is Exhibit "T" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



CREDIT SUISSE

Annual Report 2011

Credit Suisse Group AG

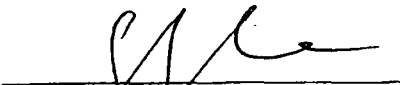
Consolidated financial statements

Consolidated statements of operations

	Reference to notes	in		
		2011	2010	2009
Consolidated statements of operations (CHF million)				
Interest and dividend income	6	23,002	25,533	25,288
Interest expense	6	(16,569)	(18,992)	(18,397)
Net interest income	6	6,433	6,541	6,891
Commissions and fees	7	12,952	14,078	13,750
Trading revenues	8	5,020	9,338	12,151
Other revenues	9	1,820	1,429	502
Net revenues		26,225	31,386	33,294
Provision for credit losses	10	187	(79)	506
Compensation and benefits	11	13,213	14,599	15,013
General and administrative expenses	12	7,372	7,231	7,701
Commission expenses		1,992	2,148	1,997
Total other operating expenses		9,364	9,379	9,698
Total operating expenses		22,577	23,978	24,711
Income from continuing operations before taxes		3,461	7,487	8,077
Income tax expense	26	671	1,548	1,835
Income from continuing operations		2,790	5,939	6,242
Income/(loss) from discontinued operations, net of tax	4	0	(19)	169
Net income		2,790	5,920	6,411
Net income/(loss) attributable to noncontrolling interests		837	822	(313)
Net income attributable to shareholders		1,953	5,098	6,724
of which from continuing operations		1,953	5,117	6,555
of which from discontinued operations		0	(19)	169
Basic earnings per share (CHF)				
Basic earnings per share from continuing operations	13	1.37	3.93	5.14
Basic earnings/(loss) per share from discontinued operations	13	0.00	(0.02)	0.14
Basic earnings per share	13	1.37	3.91	5.28
Diluted earnings per share (CHF)				
Diluted earnings per share from continuing operations	13	1.36	3.91	5.01
Diluted earnings/(loss) per share from discontinued operations	13	0.00	(0.02)	0.13
Diluted earnings per share	13	1.36	3.89	5.14

The accompanying notes to the consolidated financial statements are an integral part of these statements.

This is Exhibit "U" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



DUNDEEWEALTH

DUNDEEWEALTH INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2010


DUNDEEWALTH INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

*For the years ended December 31, 2010 and 2009
(expressed in thousands of Canadian dollars, except per share amounts)*

	2010	2009
REVENUES		
Management fees	\$ 665,119	\$ 462,376
Redemption fees	16,456	13,978
Financial services	320,423	295,344
	1,001,998	771,698
Investment income	43,080	7,773
	1,045,078	779,471
EXPENSES		
Selling, general and administrative	340,468	284,818
Variable compensation	195,538	180,825
Trailer service fees	176,853	127,513
Distribution fees	2,059	1,595
	714,918	594,751
EARNINGS BEFORE INTEREST, INCOME TAXES, AND OTHER NON-CASH ITEMS		
	330,160	184,720
Amortization of deferred sales commissions	97,892	88,689
Depreciation and amortization	11,001	12,404
Adjustments to fair value of investments (notes 5, 6 and 19)	(17,122)	(14,125)
Foreign exchange loss (gain)	835	(9,691)
Interest expense	11,367	10,350
Dividends on preference shares	10,665	10,665
EARNINGS BEFORE INCOME TAXES		
	215,522	86,428
Income taxes (note 17)		
Current	46,500	29,173
Future	50,312	5,697
	96,812	34,870
NET EARNINGS FOR THE YEAR		
	\$ 118,710	\$ 51,558
NET EARNINGS PER SHARE (note 18)		
Basic	\$ 0.82	\$ 0.36
Diluted	\$ 0.79	\$ 0.35

The accompanying notes are an integral part of these consolidated financial statements.

This is Exhibit "V" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Royal Bank of Canada

2011 Annual Report



Overview and outlook

Selected financial and other highlights

Table 1

(C\$ millions, except per share, number of and percentage amounts)	2011	2010	2009	2011 vs. 2010 Increase (decrease)	
Continuing operations					
Total revenue	\$ 27,430	\$ 26,082	\$ 26,441	\$ 1,348	5.2%
Provision for credit losses (PCL)	975	1,240	2,167	(265)	(21.4)%
Insurance policyholder benefits, claims and acquisition expense (PBCE)	3,360	3,546	3,042	(186)	(5.2)%
Non-interest expense	14,453	13,469	13,436	984	7.3%
Net income before income taxes and non-controlling interest (NCI) in subsidiaries	8,642	7,827	7,796	815	10.4%
Net income from continuing operations	6,650	5,732	5,681	918	16.0%
Net loss from discontinued operations	(1,798)	(509)	(1,823)	(1,289)	n.m.
Net income	\$ 4,852	\$ 5,223	\$ 3,858	\$ (371)	(7.1)%
Segments – net income (loss) from continuing operations					
Canadian Banking	\$ 3,492	\$ 3,044	\$ 2,663	\$ 448	14.7%
Wealth Management	809	669	583	140	20.9%
Insurance	601	491	527	110	22.4%
International Banking	173	92	123	81	88.0%
Capital Markets	1,575	1,647	1,768	(72)	(4.4)%
Corporate Support	–	(211)	17	211	n.m.
Net income from continuing operations	\$ 6,650	\$ 5,732	\$ 5,681	\$ 918	16.0%
Selected information					
Earnings (loss) per share (EPS) – basic	\$ 3.21	\$ 3.49	\$ 2.59	\$ (.28)	(8.0)%
– diluted	\$ 3.19	\$ 3.46	\$ 2.57	\$ (.27)	(7.8)%
Return on common equity (ROE) (1)	12.9%	14.9%	11.9%	n.m.	(200) bps
Return on risk capital (RORC) (1)	19.0%	25.4%	19.5%	n.m.	(640) bps
Selected information from continuing operations					
Earnings per share (EPS) – basic	\$ 4.47	\$ 3.85	\$ 3.90	\$.62	16.1%
– diluted	\$ 4.45	\$ 3.82	\$ 3.86	\$.63	16.5%
Return on common equity (ROE) (1)	18.0%	16.5%	17.9%	n.m.	150 bps
Return on risk capital (RORC) (1)	28.9%	31.5%	33.2%	n.m.	(260) bps
Specific PCL as a % of average net loans and acceptances	.34%	.45%	.72%	n.m.	(11) bps
Gross impaired loans (GIL) as a % of loans and acceptances	.78%	.95%	1.02%	n.m.	(17) bps
Capital ratios and multiple					
Tier 1 capital ratio	13.3%	13.0%	13.0%	n.m.	30 bps
Total capital ratio	15.3%	14.4%	14.2%	n.m.	90 bps
Assets-to-capital multiple	16.1X	16.5X	16.3X	n.m.	n.m.
Tier 1 common ratio (2)	10.6%	9.8%	9.2%	n.m.	80 bps
Selected balance sheet and other information					
Total assets	\$ 751,702	\$ 726,206	\$ 654,989	\$ 25,496	3.5%
Securities	179,558	183,519	177,298	(3,961)	(2.2)%
Loans (net of allowance for loan losses)	296,284	273,006	258,395	23,278	8.5%
Derivative related assets	100,013	106,155	92,095	(6,142)	(5.8)%
Deposits	444,181	414,561	378,457	29,620	7.1%
Average common equity (1)	35,550	33,250	30,450	2,300	6.9%
Average risk capital (1)	24,150	19,500	18,600	4,650	23.8%
Risk-weighted assets (RWA)	267,780	260,456	244,837	7,324	2.8%
Assets under management (AUM)	308,700	264,700	249,700	44,000	16.6%
Assets under administration (AUA) – RBC	699,800	683,800	648,800	16,000	2.3%
– RBC Dexia IS (3)	2,744,400	2,779,500	2,484,400	(35,100)	(1.3)%
Common share information					
Shares outstanding (000s) – average basic	1,430,722	1,420,719	1,398,675	10,003	0.7%
– average diluted	1,437,904	1,433,754	1,412,126	4,150	0.3%
– end of period	1,438,376	1,424,922	1,417,610	13,454	0.9%
Dividends declared per share	\$ 2.08	\$ 2.00	\$ 2.00	\$.08	4.0%
Dividend yield (4)	3.9%	3.6%	4.8%	n.m.	30 bps
Common share price (RY on TSX) – close, end of period	\$ 48.62	\$ 54.39	\$ 54.80	\$ (5.77)	(10.6)%
Market capitalization (TSX)	69,934	77,502	77,685	(7,568)	(9.8)%
Business information from continuing operations (number of)					
Employees (full-time equivalent) (FTE)	68,480	67,147	65,980	1,333	2.0%
Banking branches	1,338	1,336	1,323	2	0.1%
Automated teller machines (ATM)	4,626	4,557	4,544	69	1.5%
Period average US\$ equivalent of C\$1.00 (5)	\$ 1.015	\$.959	\$.858	\$.056	5.8%
Period-end US\$ equivalent of C\$1.00	\$ 1.003	\$.980	\$.924	\$.023	2.3%

(1) Average amounts are calculated using methods intended to approximate the average of the daily balances for the period. This includes ROE, RORC, Average common equity, and Average risk capital. For further discussion on Average risk capital, ROE and RORC, refer to the Key performance and non-GAAP measures section.

(2) For further discussion, refer to the Key performance and non-GAAP measures section.

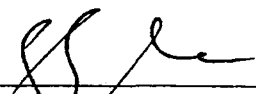
(3) Represents the total AUA of the joint venture, of which we have a 50% ownership interest, reported on a one-month lag.

(4) Defined as dividends per common share divided by the average of the high and low share price in the relevant period.

(5) Average amounts are calculated using month-end spot rates for the period.

n.m. not meaningful

This is Exhibit "W" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

Strategy in action

2011 SCOTIABANK ANNUAL REPORT



Scotiabank's framework for success

Five-point strategy

- | | | | | |
|-----------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|
| <p>1 Sustainable and profitable revenue growth</p> <p>p.14</p> | <p>2 Capital and balance sheet management</p> <p>p.17</p> | <p>3 Leadership</p> <p>p.17</p> | <p>4 Prudent risk management and appetite</p> <p>p.18</p> | <p>5 Efficiency and expense management</p> <p>p.20</p> |
|-----------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------|

One Team One Goal

Culture of collaboration

Taking full advantage of business opportunities, synergies, best practices and our global talent pool.

Values

Integrity We interact with others ethically and honourably. **Respect** We empathize and fully consider the diverse needs of others. **Commitment** We are committed to helping customers succeed. **Insight** We use a high level of knowledge to proactively respond with the right solutions. **Spirit** We enrich our work environment with teamwork, contagious enthusiasm and a "can-do" attitude.

Core purpose

To be the best at
helping customers
 become financially better off
 by providing practical advice and relevant solutions.



Business platforms

Canadian Banking

Net income*

\$1,862

32% of Scotiabank's total net income**

Providing a full suite of financial advice and solutions, supported by an excellent customer experience, to retail, small business and commercial markets in Canada.

*2011 (\$ millions)

** % of 2011 net income, excluding other

International Banking

Net income*

\$1,485

26% of Scotiabank's total net income**

Providing a full range of personal and commercial financial services across the Caribbean and Central America, Latin America and Asia.

Global Wealth Management

Net income*

\$1,218

21% of Scotiabank's total net income**

Combines Scotiabank's wealth management and insurance business in Canada and internationally, along with the Global Transaction Banking and Asia.

Scotia Capital

Net income*

\$1,184

21% of Scotiabank's total net income**

Scotiabank's wholesale banking arm offers a wide variety of products and services to corporate, government and institutional investor clients globally.



Throughout this Annual Report, you will find QR codes like the one to the left. Download a QR code scanning app to your smartphone and by scanning the QR code with your phone's camera, you can see more information on scotiabank.com.

MANAGEMENT'S DISCUSSION AND ANALYSIS

T1 Financial Highlights

As at and for the years ended October 31	2011	2010	2009	2008	2007
Operating results (\$ millions)					
Net interest income	9,270	8,621	8,328	7,574	7,098
Net interest income (TEB ⁽¹⁾)	9,557	8,907	8,616	7,990	7,629
Total revenue	17,288	15,505	14,457	11,876	12,490
Total revenue (TEB ⁽¹⁾)	17,575	15,791	14,745	12,292	13,021
Provision for credit losses	1,046	1,239	1,744	630	270
Non-interest expenses	9,564	8,182	7,919	7,296	6,994
Provision for income taxes	1,410	1,745	1,133	691	1,063
Provision for income taxes (TEB ⁽¹⁾)	1,697	2,031	1,421	1,107	1,594
Net income ⁽²⁾	5,268	4,339	3,661	3,259	4,163
Net income attributable to common shareholders	4,959	4,038	3,361	3,033	3,994
Operating performance					
Basic earnings per share (\$)	4.62	3.91	3.32	3.07	4.04
Diluted earnings per share (\$)	4.62	3.91	3.31	3.05	4.01
Diluted cash earnings per share ⁽³⁾ (\$)	4.71	3.97	3.37	3.11	4.05
Return on equity ⁽⁴⁾ (%)	18.8	18.3	16.7	16.7	22.0
Productivity ratio (%) (TEB ⁽¹⁾)	54.4	51.8	53.7	59.4	53.7
Net interest margin on total average assets (%) (TEB ⁽¹⁾)	1.68	1.73	1.68	1.75	1.89
Balance sheet information (\$ millions)					
Cash resources and securities	174,344	162,590	160,572	125,353	118,030
Loans and acceptances	306,874	291,840	275,885	300,649	238,685
Total assets	575,256	526,657	496,516	507,625	411,510
Deposits	396,376	361,650	350,419	346,580	288,458
Preferred shares	4,384	3,975	3,710	2,860	1,635
Common shareholders' equity	28,376	23,656	21,062	18,782	17,169
Assets under administration ⁽⁵⁾	325,334	243,817	215,097	203,147	195,095
Assets under management ⁽¹⁾⁽⁶⁾	103,020	53,532	46,304	40,460	36,092
Capital measures⁽⁴⁾					
Tier 1 capital ratio (%)	12.2	11.8	10.7	9.3	9.3
Total capital ratio (%)	13.9	13.8	12.9	11.1	10.5
Tangible common equity to risk-weighted assets ⁽¹⁾⁽⁶⁾ (%)	9.6	9.7	8.3	6.6	7.4
Assets-to-capital multiple	16.6	17.0	16.6	18.0	18.2
Risk-weighted assets (\$ millions)	233,970	215,034	221,656	250,591	218,337
Credit quality					
Net impaired loans ⁽⁶⁾ (\$ millions)	2,623	3,044	2,563	1,191	601
General allowance for credit losses (\$ millions)	1,352	1,410	1,450	1,323	1,298
Sectoral allowance (\$ millions)	-	-	44	-	-
Net impaired loans as a % of loans and acceptances ⁽⁶⁾	0.85	1.04	0.93	0.40	0.25
Specific provision for credit losses as a % of average loans and acceptances	0.38	0.48	0.54	0.24	0.13
Common share information					
Share price (\$)					
High	61.28	55.76	49.19	54.00	54.73
Low	49.00	44.12	23.99	35.25	46.70
Close	52.53	54.67	45.25	40.19	53.48
Shares outstanding (millions)					
Average - Basic	1,072	1,032	1,013	987	989
Average - Diluted	1,074	1,034	1,016	993	997
End of period	1,089	1,043	1,025	992	984
Dividends per share (\$)	2.05	1.96	1.96	1.92	1.74
Dividend yield (%) ⁽⁷⁾	3.7	3.9	5.4	4.3	3.4
Market capitalization (\$ millions)	57,204	57,016	46,379	39,865	52,612
Book value per common share (\$)	26.06	22.68	20.55	18.94	17.45
Market value to book value multiple	2.0	2.4	2.2	2.1	3.1
Price to earnings multiple	11.3	14.0	13.6	13.1	13.2
Other information					
Employees	75,362	70,772	67,802	69,049	58,113
Branches and offices	2,926	2,784	2,686	2,672	2,331

(1) Non-GAAP measure. Refer to the non-GAAP measures on page 29.

(2) Refer to Note 1 of the Consolidated Financial Statements for the impact of the new accounting standards adopted effective November 1, 2010. Prior period information has been reclassified to conform with current period presentation.

(3) Prior period amounts have been restated to reflect the updated definition of assets under management. Refer to page 29 for a discussion on non-GAAP measures.

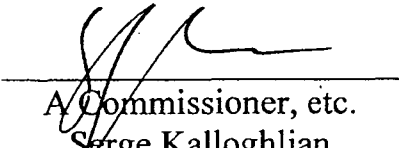
(4) Effective November 1, 2007, regulatory capital, risk-weighted assets and capital ratios are determined in accordance with Basel II rules. Comparative amounts for 2007 were determined in accordance with Basel I rules.

(5) Amounts have been restated to reflect the revised definition of tangible common equity to risk-weighted assets. Refer to page 29 for a discussion of non-GAAP measures.

(6) Net impaired loans are impaired loans less the specific allowance for credit losses.

(7) Based on the average of the high and low common share price for the year.

This is Exhibit "X" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

FINANCIAL RESULTS

Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The management of The Toronto-Dominion Bank and its subsidiaries (the "Bank") is responsible for the integrity, consistency, objectivity and reliability of the Consolidated Financial Statements of the Bank and related financial information as presented. Canadian generally accepted accounting principles as well as the requirements of the Bank Act and related regulations have been applied and management has exercised its judgment and made best estimates where appropriate.

The Bank's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank.

Management has assessed the effectiveness of the Bank's internal control over financial reporting as at October 31, 2011 using the framework found in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management has concluded that as at October 31, 2011, the Bank's internal control over financial reporting is effective.

The Bank's Board of Directors, acting through the Audit Committee which is composed entirely of independent directors, oversees management's responsibilities for financial reporting. The Audit Committee reviews the Consolidated Financial Statements and recommends them to the Board for approval. Other responsibilities of the Audit Committee include monitoring the Bank's system of internal controls over the financial reporting process and making recommendations to the Board and shareholders regarding the appointment of the external auditor.

The Bank's Chief Auditor, who has full and free access to the Audit Committee, conducts an extensive program of audits. This program supports the system of internal control and is carried out by a professional staff of auditors.

The Office of the Superintendent of Financial Institutions, Canada, makes such examination and enquiry into the affairs of the Bank as deemed necessary to ensure that the provisions of the *Bank Act*, having reference to the safety of the depositors, are being duly observed and that the Bank is in sound financial condition.

Ernst & Young LLP, the independent auditors appointed by the shareholders of the Bank, have audited the effectiveness of the Bank's internal control over financial reporting as at October 31, 2011 in addition to auditing the Bank's Consolidated Financial Statements as of the same date. Their reports, which expressed an unqualified opinion, can be found on the following pages of the Consolidated Financial Statements. Ernst & Young have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising there from, such as, comments they may have on the fairness of financial reporting and the adequacy of internal controls.



W. Edmund Clark
Group President and
Chief Executive Officer



Colleen M. Johnston
Group Head Finance and
Chief Financial Officer

Toronto, Canada
November 30, 2011

Consolidated Statement of Income

For the years ended October 31


(millions of Canadian dollars, except as noted)

	2011	2010	2009
Interest income			
Loans	\$ 13,941	\$ 12,939	\$ 13,691
Securities			
Dividends	810	737	868
Interest	3,354	3,043	3,886
Deposits with banks	354	668	442
	18,459	17,387	18,887
Interest expense			
Deposits	4,289	4,578	5,818
Subordinated notes and debentures	659	667	671
Preferred shares and capital trust securities (Notes 15, 16)	38	37	94
Other	642	562	978
	5,628	5,844	7,561
Net interest income	12,831	11,543	11,326
Non-interest income			
Investment and securities services	2,624	2,424	2,212
Credit fees	687	634	622
Net securities gains (losses) (Note 3)	393	75	(437)
Trading income (loss) (Note 20)	43	484	685
Service charges	1,602	1,651	1,507
Loan securitizations (Note 5)	450	489	468
Card services	961	820	733
Insurance, net of claims (Note 21)	1,173	1,028	913
Trust fees	154	153	141
Other income (loss)	676	264	(310)
	8,763	8,022	6,534
Total revenue	21,594	19,565	17,860
Provision for credit losses (Note 4)	1,465	1,625	2,480
Non-interest expenses			
Salaries and employee benefits (Note 23)	6,723	5,960	5,839
Occupancy, including depreciation	1,285	1,236	1,213
Equipment, including depreciation	800	880	897
Amortization of other intangibles (Note 9)	715	592	653
Restructuring costs (Note 24)	-	17	36
Marketing and business development	593	595	566
Brokerage-related fees	320	297	274
Professional and advisory services	932	804	740
Communications	271	251	239
Other	1,444	1,531	1,754
	13,083	12,163	12,211
Income before income taxes, non-controlling interests in subsidiaries, and equity in net income of an associated company	7,046	5,777	3,169
Provision for (recovery of) income taxes (Note 25)	1,299	1,262	241
Non-controlling interests in subsidiaries, net of income taxes	104	106	111
Equity in net income of an associated company, net of income taxes (Note 8)	246	235	303
Net income	5,889	4,644	3,120
Preferred dividends	180	194	167
Net income available to common shareholders	\$ 5,709	\$ 4,450	\$ 2,953
Average number of common shares outstanding (millions) (Note 26)			
Basic	885.7	867.1	847.1
Diluted	890.1	872.1	850.1
Earnings per share (dollars) (Note 26)			
Basic	\$ 6.45	\$ 5.13	\$ 3.49
Diluted	6.41	5.10	3.47
Dividends per share (dollars)	2.61	2.44	2.44

Certain comparative amounts have been reclassified to conform with the presentation adopted in the current year.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

This is Exhibit "Y" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.

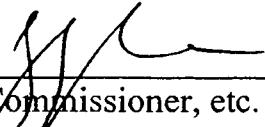

A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

CAUSES OF ACTION BY DEFENDANT

Defendant	Causes of Action Pled
Ernst & Young LLP	Securities Act claim for prospectuses (s.130) Securities Act claim for secondary market (s.138.3) Negligent misrepresentation (secondary market) Negligent misrepresentation (prospectus + offering memoranda) Negligence (prospectus + offering memoranda)
BDO Limited	Securities Act claim for prospectuses (s.130) Securities Act claim for secondary market (s.138.3) Negligent misrepresentation (secondary market) Negligent misrepresentation (prospectus + offering memoranda) Negligence (prospectus + offering memoranda)
Pöyry (Beijing) Consulting Company Limited	Securities Act claim for prospectuses (s.130) Securities Act claim for secondary market (s.138.3) Negligence (prospectus + offering memoranda)
Credit Suisse Securities (Canada), Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
TD Securities Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus + offering memoranda) Unjust enrichment
Dundee Securities Corporation	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
RBC Dominion Securities Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment

Scotia Capital Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
CIBC World Markets Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
Merrill Lynch Canada Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
Canaccord Financial Ltd.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
Maison Placements Canada Inc.	Securities Act claim for prospectuses (s.130) Negligent misrepresentation (prospectus) Negligence (prospectus) Unjust enrichment
Credit Suisse Securities (USA) LLC	Negligence (offering memoranda) Unjust enrichment
Banc of America Securities LLC	Negligence (offering memoranda) Unjust enrichment

This is Exhibit "Z" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

Made as of March 20, 2012

Between

THE TRUSTEES OF THE LABOURERS' PENSION FUND OF CENTRAL AND EASTERN
CANADA, THE TRUSTEES OF THE INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 793 PENSION PLAN FOR OPERATING ENGINEERS IN ONTARIO,
SJUNDE AP-FONDEN, DAVID GRANT, ROBERT WONG and GUINING LIU

and

PÖYRY (BEIJING) CONSULTING COMPANY LIMITED

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT
TABLE OF CONTENTS**

RECITALS	1
SECTION 1 - DEFINITIONS	3
SECTION 2 - SETTLEMENT APPROVAL	8
2.1 Best Efforts	8
2.2 Motions for Approval	8
2.3 Pre-Motion Confidentiality	9
SECTION 3 - SETTLEMENT BENEFITS	10
3.1 Cooperation – No Disclosure of Privileged Communications.....	10
3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws	10
3.3 Cooperation – No Disclosure of Confidential Information	10
3.4 Cooperation.....	10
SECTION 4 - OPTING-OUT	15
4.1 Procedure	15
4.2 Opt-Out Report	16
SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT	16
5.1 Effect of Non-Approval of Settlement Agreement.....	16
5.2 Survival of Provisions After Non-Approval of Settlement Agreement.....	17
5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement ..	18
SECTION 6 - RELEASES AND DISMISSALS.....	18
6.1 Release of Releasees	18
6.2 Covenant Not To Sue.....	18
6.3 No Further Claims.....	19
6.4 Dismissal of the Proceedings.....	19

6.5	Dismissal of Other Actions	19
SECTION 7 - BAR ORDER AND OTHER CLAIMS		19
7.1	Ontario Bar Order	19
7.2	Quebec Bar Order	21
7.3	Claims Against Other Persons Reserved	22
7.4	Material Term	22
SECTION 8 - EFFECT OF SETTLEMENT		22
8.1	No Admission of Liability	22
8.2	Agreement Not Evidence	22
8.3	No Further Litigation	23
SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY		23
SECTION 10 - NOTICE TO SETTLEMENT CLASSES		23
10.1	Required Notice	23
10.2	Form and Distribution of Notices	24
SECTION 11 - MISCELLANEOUS		24
11.1	Motions for Directions	24
11.2	Class Counsel to Advise Settling Defendant of Status of Proceedings	24
11.3	Headings, etc.	24
11.4	Computation of Time	25
11.5	Ongoing Jurisdiction	25
11.6	Governing Law	25
11.7	Disputes	26
11.8	Joint and Severable / Indivisible	26
11.9	Entire Agreement	27
11.10	Amendments	27
11.11	Binding Effect	27

11.12 General Obligation.....27

11.13 No Assignment.....28

11.14 Third Party Beneficiaries.....28

11.15 Counterparts.....28

11.16 Negotiated Agreement.....28

11.17 Language.....29

11.18 Transaction.....29

11.19 Recitals.....29

11.20 Schedules.....29

11.21 Acknowledgements.....29

11.22 Authorized Signatures.....30

11.23 Notice.....30

11.24 Date of Execution.....32

**SINO-FOREST CLASS ACTION
NATIONAL SETTLEMENT AGREEMENT**

RECITALS

A. WHEREAS the Proceedings have been commenced by the Plaintiffs in Ontario and Quebec which allege that the Settling Defendant made misrepresentations regarding the assets, business and transactions of Sino-Forest contrary to the *OSA*, the *QSA*, the civil law of Quebec and the common law of the rest of Canada;

B. AND WHEREAS the Settling Defendant believes that it is not liable in respect of the claims as alleged in the Proceedings and the Settling Defendant believes that it has good and reasonable defences in respect of the merits in the Proceedings;

C. AND WHEREAS the Settling Defendant asserts that it would actively pursue its defences in respect of the merits during the course of certification, during the course of discovery and at trial if the Plaintiffs continued the Proceedings against it;

D. AND WHEREAS, despite the Settling Defendant's belief that it is not liable in respect of the claims as alleged in the Proceedings and its belief that it has good and reasonable defences in respect of the merits, the Settling Defendant has negotiated and entered into this Settlement Agreement to avoid further expense, inconvenience, and burden of this litigation and any other present or future litigation arising out of the facts that gave rise to this litigation and to achieve final resolutions of all claims asserted or which could have been asserted against the Settling Defendant by the Plaintiffs on their own behalf and on behalf of the classes they seek to represent, and to avoid the risks inherent in uncertain, complex and protracted litigation;

E. AND WHEREAS counsel for the Settling Defendant and counsel for the Plaintiffs have engaged in extensive arm's-length settlement discussions and negotiations in respect of this Settlement Agreement;

F. AND WHEREAS as a result of these settlement discussions and negotiations, the Settling Defendant and the Plaintiffs have entered into this Settlement Agreement, which embodies all of the terms and conditions of the settlement between the Plaintiffs and the Settling Defendant, both individually and on behalf of the Settlement Class, subject to approval of the Courts;

G. AND WHEREAS the Plaintiffs have agreed to accept this settlement, in part, because of the value of the cooperation the Settling Defendant has made and agrees to render or make available to the Plaintiffs and/or Class Counsel pursuant to this Settlement Agreement, as well as the attendant risks of litigation in light of the jurisdictional issues relating to the Settling Defendant, the potential defences that may be asserted by the Settling Defendant and the challenges of enforcement against the Settling Defendant in a foreign jurisdiction;

H. AND WHEREAS the Plaintiffs recognize the benefits of the Settling Defendant's early cooperation in respect of the Proceedings;

I. AND WHEREAS the Settling Defendant does not admit through the execution of this Settlement Agreement any allegation of unlawful conduct alleged in the Proceedings;

J. AND WHEREAS the Plaintiffs and Class Counsel have reviewed and fully understand the terms of this Settlement Agreement and, based on their analyses of the facts and law applicable to the Plaintiffs' claims, and having regard to the burdens and expense in prosecuting the Proceedings, including the risks and uncertainties associated with trials and appeals, the Plaintiffs and Class Counsel have concluded that this Settlement Agreement is fair, reasonable and in the best interests of the Plaintiffs and the classes they seek to represent;

K. AND WHEREAS the Plaintiffs, Class Counsel and the Settling Defendant agree that neither this Settlement Agreement nor any statement made in the negotiation thereof shall be deemed or construed to be an admission by or evidence against the Settling Defendant or evidence of the truth of any of the Plaintiffs' allegations against the Settling Defendant, which the Settling Defendant expressly denies;

L. AND WHEREAS the Settling Defendant is entering into this Settlement Agreement in order to achieve a final and nation-wide resolution of all claims asserted or which could have been asserted against it by the Plaintiffs in the Proceedings or claims which could in the future be brought on the basis of the same events, actions and omissions underlying the Proceedings, and to avoid further expense, inconvenience and the distraction of burdensome and protracted litigation;

M. AND WHEREAS the Parties therefore wish to, and hereby do, finally resolve on a national basis, without admission of liability, all of the Proceedings as against the Settling Defendant;

N. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Parties have consented to certification of the Ontario Proceeding and authorization of the Quebec Proceedings as class proceedings and have consented to a Settlement Class and a Common Issue in each of the Proceedings;

O. AND WHEREAS for the purposes of settlement only and contingent on approvals by the Courts as provided for in this Settlement Agreement, the Plaintiffs have consented to a dismissal of each of the Proceedings as against the Settling Defendant;

NOW THEREFORE, in consideration of the covenants, agreements and releases set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by the Parties that the Proceedings be settled and dismissed with prejudice as to the Settling Defendant only, without costs as to the Plaintiffs, the classes they seek to represent or the Settling Defendant, subject to the approval of the Courts, on the following terms and conditions:

SECTION 1 - DEFINITIONS

For the purpose of this Settlement Agreement (as hereinafter defined):

(1) *Affiliates* means, in respect of any Person, any other Person or group of Persons that, directly or indirectly through one or more intermediaries, control, are controlled by, or are under common control with, such Person first mentioned, and for the purposes of this definition, "control" means the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.

(2) *Approval Hearings* means the hearings to approve the motions brought by Ontario Counsel before the Ontario Court and Quebec Counsel before the Quebec Court, for such Courts' respective approval of the settlement provided for in this Settlement Agreement.

(3) *Auditors* means, collectively, Ernst & Young LLP and BDO Limited (formerly known as BDO McCabe Lo Limited).

- (4) ***Class Counsel*** means, collectively, Ontario Counsel and Quebec Counsel.
- (5) ***Class Period*** means March 19, 2007 to June 2, 2011.
- (6) ***Common Issue*** in each of the Ontario Proceeding and Quebec Proceeding means: Did the Settling Defendant make misrepresentations as alleged in this Proceeding during the Class Period concerning the assets, business or transactions of Sino-Forest? If so, what damages, if any, did Settlement Class Members suffer?
- (7) ***Courts*** means, collectively, the Ontario Court and the Quebec Court.
- (8) ***Defendants*** means, collectively, the Persons named as defendants in the Proceedings as set out in Schedule A and any other Person who is added as a defendant in the Proceedings in the future.
- (9) ***Effective Date*** means the date when the Final Order has been received from the last of the Ontario Court and the Quebec Court to issue the Final Order.
- (10) ***Excluded Person*** means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors successors and assigns, and any individual who is a member of the immediate family of an individual Defendant.
- (11) ***Final Order*** means a final judgment entered by the Ontario Court or the Quebec Court in respect of both: (i) the certification or authorization of the Ontario Proceeding or the Quebec Proceeding, respectively, as a class proceeding; and (ii) the approval of this Settlement Agreement; but only once the time to appeal such judgment has expired without any appeal being taken, if an appeal lies or, once there has been affirmation of the certification or authorization of a Proceeding as a class proceeding and the approval of this Settlement Agreement, upon a final disposition of all appeals therefrom.
- (12) ***Non-Settling Defendant*** means a Defendant that is not the Settling Defendant.
- (13) ***Notice of Certification/Authorization and Approval Hearings*** means the form or forms of notice, agreed to by the Plaintiffs and the Settling Defendant, or such other form or forms as may be approved by the Courts, which informs the Settlement Class of: (i) the certification of the

Ontario Proceeding or authorization of the Quebec Proceeding solely for the purposes of this Settlement; (ii) the dates and locations of each of the Approval Hearings; (iii) the principal terms of this Settlement Agreement; (iv) the process by which Settlement Class Members can opt out of each of the Proceedings; and (v) the Opt Out Deadline in respect of each of the Proceedings.

- (14) *Ontario Proceeding* means Ontario Court File No. CV-11-431153-00CP (Toronto).
- (15) *Ontario Counsel* means Siskinds LLP and Koskie Minsky LLP.
- (16) *Ontario Court* means the Ontario Superior Court of Justice.
- (17) *Opt-Out Administrator* means the Person appointed by the Courts to receive and report on Opt Outs.
- (18) *Opt-Out Deadline* means the date which is sixty (60) days after the date on which the Notice of Certification/Authorization and Approval Hearings is first published.
- (19) *OSA* means the *Securities Act*, RSO 1990, c S.5.
- (20) *Other Actions* means, without limitation, actions, suits, proceedings or arbitration, civil, criminal, regulatory or otherwise, at law or in equity, other than the Proceedings, relating to Released Claims commenced by a Settlement Class Member either before or after the Effective Date.
- (21) *Parties* means, collectively, the Plaintiffs, Settlement Class Members and the Settling Defendant.
- (22) *Person* means an individual, corporation, partnership, limited partnership, limited liability company, association, estate, legal representative, trust, trustee, executor, beneficiary, unincorporated association, government or any political subdivision or agency thereof, and any other business or legal entity and their heirs, predecessors, successors, representatives, or assignees.
- (23) *Plaintiffs* means the Persons named as plaintiffs in the Proceedings as set out in Schedule A, and any other Person who may in the future be added as plaintiff to either of the Proceedings.
- (24) *PRC* means the People's Republic of China.

- (25) *Proceedings* means, collectively, the Ontario Proceeding and the Quebec Proceeding.
- (26) *Proportionate Liability* means that proportion of any judgment that, had they not settled, the Ontario Court would have apportioned to the Releasees.
- (27) *QSA* means the *Quebec Securities Act*, R.S.Q., c. V-1.1
- (28) *Quebec Class Members* means all natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.
- (29) *Quebec Counsel* means Siskinds Desmeules s.e.n.c.r.l.
- (30) *Quebec Court* means the Superior Court of Quebec.
- (31) *Quebec Proceeding* means Quebec Court (District of Quebec) Court file No. 200-06-000132-111.
- (32) *Released Claims* means any and all manner of claims, demands, actions, suits, causes of action, whether class, individual or otherwise in nature, whether personal or subrogated, for damages whenever incurred, obligations, liabilities of any nature whatsoever including, without limitation, interest, costs, expenses, class administration expenses, penalties, and lawyers' fees (including Class Counsel's fees), known or unknown, suspected or unsuspected, in law, under statute or in equity, that the Releasers, or any of them, whether directly, indirectly, derivatively, or in any other capacity, ever had, now have, or hereafter can, shall or may have, relating in any way to any conduct anywhere, from the beginning of time to the date hereof, or in respect of any misrepresentations (including, without limitation, any verbal statements made or not made by the Settling Defendant's agents) directly or indirectly relating to Sino-Forest, its Subsidiaries

(including, without limitation, Greenheart Group Limited) and other Affiliates and their respective assets, business and transactions, whether contained in or arising from valuations or reports prepared by the Settling Defendant or any Releasee for Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates or elsewhere, or relating to any conduct alleged (or which could have been alleged or could in the future be alleged on the basis of the same events, actions and omissions) in the Proceedings including, without limitation, any such claims which have been asserted, could have been asserted, or could in the future be asserted on the basis of the same events, actions and omissions underlying the Proceedings, directly or indirectly, whether in Canada or elsewhere, as a result of or in connection with the events discussed in the reports of Sino-Forest's Independent Committee and the June 2, 2011 report issued by Muddy Waters LLC in respect of Sino-Forest, its Subsidiaries (including, without limitation, Greenheart Group Limited) and other Affiliates;

(33) *Releasees* means, jointly and severally, individually and collectively, the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates, and their respective divisions, partners, insurers (solely in respect of any insurance policy applicable to the acts or omissions of the Settling Defendant, its past and present, direct and indirect, Subsidiaries and other Affiliates), consultants, sub-consultants, attorneys, agents and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, purchasers, heirs, executors, administrators and assigns of each of the foregoing, excluding always the Non-Settling Defendants and any of their respective current or former Subsidiaries and other Affiliates, officers, directors, executives, employees, shareholders, joint venturers and/or partners.

(34) *Releasers* means, jointly and severally, individually and collectively, the Plaintiffs and the Settlement Class Members and their respective Subsidiaries and other Affiliates, and their respective divisions, partners, insurers, consultants, sub-consultants and all other Persons that are Affiliates of any of the foregoing, and all of their respective past, present and future officers, directors, employees, agents, partners, shareholders, attorneys, trustees, servants and representatives and the predecessors, successors, heirs, executors, administrators, representatives, insurers and assigns.

- (35) **Settlement Agreement** means this agreement including the recitals and schedules.
- (36) **Settlement Class** means, in respect of each of the Ontario Proceeding and the Quebec Proceeding, the settlement class defined in Schedule A.
- (37) **Settlement Class Member** means a member of a Settlement Class who does not validly opt-out of that Settlement Class in accordance with section 4.1 and any orders of the Courts.
- (38) **Settling Defendant** means Pöyry (Beijing) Consulting Company Limited.
- (39) **Sino-Forest** means Sino-Forest Corporation.
- (40) **Subsidiary** has the meaning ascribed to it in the *Canada Business Corporations Act*.
- (41) **Underwriters** means Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC, and Banc of America Securities LLC, including, without limitation, their respective Subsidiaries and other Affiliates and their respective personnel.

SECTION 2 - SETTLEMENT APPROVAL

2.1 Best Efforts

The Parties shall use their best efforts to effectuate this settlement and to secure the prompt, complete and final dismissal with prejudice of the Proceedings and without further recourse as against the Settling Defendant.

2.2 Motions for Approval

- (1) Each of the Ontario Plaintiffs and Quebec Plaintiffs shall promptly bring motions before the Ontario Court and the Quebec Court, respectively, for orders approving the notices described in section 10 herein, certifying the Ontario Proceeding and authorizing the Quebec Proceeding as a class proceeding for settlement purposes only and approving this Settlement Agreement.
- (2) The motions for approval of this Settlement Agreement referred to in section 2.2(1) shall not be returnable until the Opt Out Deadline has passed.

(3) The Ontario order certifying the Ontario Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-1. The Quebec order authorizing the Quebec Proceeding referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule B-2.

(4) The Ontario order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-1. The Quebec order approving the Settlement Agreement referred to in section 2.2(1) shall be substantially in the form attached hereto as Schedule C-2.

(5) The form and content of the orders approving the Settlement Agreement contemplated in this section 2.2 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the orders substantially in the form contemplated herein and attached as schedules hereto shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

2.3 Pre-Motion Confidentiality

(1) Until the first of the motions required by section 2.2 is brought, the Parties shall keep all of the terms of this Settlement Agreement, and any information or documents related thereto, confidential and shall not disclose them without the prior written consent of counsel for the Settling Defendant and Class Counsel, as the case may be, except as required for the purposes of financial reporting or the preparation of financial records (including, without limitation, tax returns and financial statements) or as otherwise required by law, in which case the Party seeking to disclose shall provide at least fifteen (15) days written notice to the other Parties of the proposed disclosure and the basis for the proposed disclosure.

(2) Any disclosure of the terms of this Settlement Agreement, and any information or documents related thereto, contemplated in subsection 2.3(1) or otherwise shall be for the sole and exclusive purpose of seeking approval of this Settlement Agreement by the Courts and facilitating the settlement of the Proceedings and release of the Released Claims pursuant to the terms of this Settlement Agreement.

SECTION 3 - SETTLEMENT BENEFITS

3.1 Cooperation – No Disclosure of Privileged Communications

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant, or to disclose or produce any document or information in breach of any order, regulatory directive, regulatory policy, regulatory agreement or law of any jurisdiction, or subject to solicitor-client privilege, litigation privilege, attorney-client privilege, work product doctrine, common interest privilege, joint defence privilege or any other privilege.

3.2 Cooperation – No Disclosure of Documents or Information Contrary to Privacy and State Secrets Protection Laws

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any documents or information, where production of such documents or information would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach or violation of any federal, provincial, state or local privacy law, or any law of a foreign jurisdiction, including, without limitation, PRC privacy and state secrets protection laws.

3.3 Cooperation – No Disclosure of Confidential Information

Nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant to disclose or produce any confidential documents or information that the Settling Defendant holds under commercial arrangements where such disclosure or production would potentially result, in the reasonable judgment of the Settling Defendant and its counsel, in a breach of contract.

3.4 Cooperation

(1) It is understood and agreed that all documents and information provided by the Settling Defendant or Releasees to Plaintiffs and Class Counsel under this Settlement Agreement shall be used only in connection with the prosecution of the claims in the Proceedings, and shall not be used directly or indirectly for any other purpose. Plaintiffs and Class Counsel agree that they will not publicize the documents and information provided by the Settling Defendant beyond

what is reasonably necessary for the prosecution of the Proceedings or as otherwise required by law.

(2) Within thirty (30) days of the Date of Execution or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide, through a meeting between counsel for the Settling Defendant and Class Counsel, an evidentiary proffer, which will include verbal information relating to the allegations in the Proceedings including, without limitation, a summary of the Settling Defendant's material interactions and involvement with Sino-Forest, the Auditors and the Underwriters; the Settling Defendant's understanding of Sino-Forest's business model as it pertains to timber plantation, purchased forests and forestry management; and the Settling Defendant's knowledge and understanding of Sino-Forest's actual or purported revenues and/or assets during the Class Period.

(3) Within thirty (30) days of the Effective Date, or at a time mutually agreed upon by the Parties, the Settling Defendant shall provide copies of the following categories of documents being within the possession, custody or control of the Settling Defendant and the Releasees:

- (a) documents relating to Sino-Forest, the Auditors or the Underwriters, or any of them, as well as the dates, locations, subject matter, and participants in any meetings with or about Sino-Forest, the Auditors or the Underwriters, or any of them;
- (b) documents provided by the Settling Defendant or any Releasee to any state, federal or international government or administrative agency, without geographic limitation, concerning the allegations raised in the Proceedings, excluding documents created for the purpose of being so provided; and
- (c) documents provided by the Settling Defendant or any Releasee to Sino-Forest's Independent Committee or the ad hoc committee of noteholders.

(4) The obligation to produce documents pursuant to this section 3.4 shall be a continuing obligation to the extent that material documents are identified following the initial productions. The Settling Defendant and Releasees make no representation that they have a complete set of documents within any of the categories of information or documents described herein.

(5) To the extent that any document includes technical information within the expertise of the Settling Defendant, Class Counsel may request, and the Settling Defendant shall provide, an explanation sufficient for Class Counsel to understand the document; however, in no event will any liability or further obligation attach to such explanation.

(6) Following the Effective Date, the Settling Defendant and Releasees shall, at the request of Class Counsel, upon reasonable notice, and subject to any legal restrictions, make reasonable efforts to make available at a mutually convenient time, at a mutually agreed upon location in North America, up to three (3) current or former employees of the Settling Defendant and Releasees who have knowledge of the allegations raised in the Proceedings to provide information regarding the allegations raised in the Proceedings in a personal interview with Class Counsel and/or experts retained by Class Counsel in the presence of, and assisted by, counsel for the Settling Defendant, provided that none of the employee(s) or former employee(s) are required to travel to North America pursuant to this subsection 3.4(6) more than two (2) times each. Costs incurred by, and the expenses of, the employees of the Settling Defendant and Releasees in relation to such interviews shall be the responsibility of the Settling Defendant. If the employee(s) or former employee(s) contemplated in this subsection 3.4(6) refuse to provide information, or otherwise cooperate, the Settling Defendant shall use reasonable efforts to make him/her available for an interview with Class Counsel and/or experts retained by Class Counsel as aforesaid. The failure of the employee(s) or former employee(s) contemplated in this subsection 3.4(6) to agree to make him or herself available, or to otherwise cooperate with the Plaintiffs shall not constitute a breach or other violation of this Settlement Agreement, and shall not provide any basis for the termination of this Settlement Agreement, provided that the Settling Defendant has made reasonable efforts to cause such cooperation.

(7) Subject to the rules of evidence and the other provisions of this Settlement Agreement, the Settling Defendant agrees to use reasonable efforts to produce at trial and/or discovery or through affidavits acceptable to Class Counsel or other testimony, (i) a current representative as Class Counsel and the Settling Defendant, acting reasonably, agree would be qualified to establish for admission into evidence the Settling Defendant and Releasees' involvement with Sino-Forest, the Auditors and the Underwriters; and (ii) current representatives as Class Counsel and the Settling Defendant, acting reasonably, agree would be necessary to support the submission into evidence of any information and/or documents provided by the Settling

Defendant or any Releasee in accordance with this Settlement Agreement that Class Counsel and the Settling Defendant, acting reasonably, agree might be reasonably necessary for the prosecution of the Proceedings, including, without limitation, for the purpose of any motion where such evidence is reasonably necessary.

(8) In connection with its provision of information, testimony and documents, the Settling Defendant and the Releasees shall have the right to assert solicitor-client privilege, litigation privilege and/or any other privilege, or to assert a right to refuse production on the basis of privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction. To the extent that Class Counsel requests particular documents, information or other materials from the Settling Defendant and the Settling Defendant does not produce the requested documents, information or other materials on the basis of this provision, or any other provision herein: (i) counsel for the Settling Defendant shall provide Class Counsel with a description of any such documents, information or other materials and a description of the basis on which the Settling Defendant is not prepared to produce said document, information or other material sufficient for Class Counsel to assess the nature of that basis and the document, information or other material, except where providing such descriptions would, in the reasonable judgment of counsel for the Settling Defendant, be contrary to privacy law, state secrets law, contractual confidentiality obligations or other rule of law of this or any other jurisdiction, in which case counsel for the Settling Defendant will so advise; and (ii) Class Counsel or counsel for the Settling Defendant may seek to resolve any dispute arising from this subsection 3.4(8) pursuant to the procedures set out in section 11.7 of this Settlement Agreement.

(9) The Settling Defendant and Releasees waive any and all privilege relating to any specific document that the Settling Defendant has agreed to produce in response to this section 3.4. Notwithstanding the foregoing, nothing in this Settlement Agreement shall require, or shall be construed to require, the Settling Defendant or any Releasee to disclose or produce any documents or information prepared by or for counsel for the Settling Defendant during the course of any of the Proceedings.

(10) If any of the types of documents referenced in sections 3.1, 3.2 or 3.3 are accidentally or inadvertently produced, such documents shall be promptly returned to counsel for the Settling Defendant and the documents and the information contained therein shall not be disclosed or

used directly or indirectly, except with the express written permission of the Settling Defendant, and the production of such documents shall in no way be construed to have waived in any manner any privilege or protection attached to such documents.

(11) It is understood and agreed that the Plaintiffs, the Settlement Class Members and Class Counsel shall not, without the express written consent of the Settling Defendant and its counsel, directly or indirectly use any information or documents provided by the Settling Defendant or any Releasee, or received from the Settling Defendant or any Releasee in connection with this Settlement Agreement, for any purpose other than the prosecution of the claims in the Proceedings, nor disclose or share with any other Persons (including, without limitation, any regulator, agency or organization of this or any other jurisdiction), any information or documents obtained from the Settling Defendant in connection with this Settlement Agreement or any information conveyed by counsel for the Settling Defendant or any Releasee, except in the event that a court in Canada expressly orders such information or documents to be disclosed. In no circumstances, however, may the Plaintiffs, the Settlement Class Members and/or Class Counsel apply for or consent to such an order, and promptly, upon becoming aware of an application or motion for such an order, Class Counsel shall immediately notify the Settling Defendant of the application or motion in order that the Settling Defendant may intervene in such proceedings. The disclosure restrictions set forth in this subsection do not apply to otherwise publicly available documents and information.

(12) The Settling Defendant and Releasees' obligations to cooperate as particularized in this section 3.4 shall not be affected by the release provisions contained in section 6 of this Settlement Agreement. The Settling Defendant and Releasees' obligations to cooperate shall cease at the date of final judgment or order in the Proceedings against all Defendants, including, without limitation, an order approving a settlement between the Plaintiffs and the Non-Settling Defendants and/or an order dismissing the Proceedings. In the event the Settling Defendant or any Releasee materially breaches this section 3.4, Class Counsel may move before the Courts to enforce the terms of this Settlement Agreement.

(13) The provisions set forth in this section 3.4 shall constitute the exclusive means by which the Plaintiffs, the Settlement Class Members and Class Counsel may obtain discovery from the Settling Defendant, its current and former directors, officers or employees and the Releasees, and

the Plaintiffs, the Settlement Class Members and Class Counsel shall pursue no other means of discovery against the Settling Defendant, its current and former directors, officers or employees and the Releasees, whether under the laws or rules of any jurisdiction.

(14) A material factor influencing the Settling Defendant's decision to execute this Settlement Agreement is its desire to limit the burden and expense of this litigation. Accordingly, Class Counsel agree to exercise good faith in seeking cooperation from the Settling Defendant and any Releasee and to avoid seeking information that is unnecessary, cumulative or duplicative and agree otherwise to avoid imposing undue or unreasonable burden or expense on the Settling Defendant or Releasees.

SECTION 4 - OPTING-OUT

4.1 Procedure

(1) A Person may opt-out of the Proceedings by sending a written election to opt-out, signed by the Person or the Person's designee, by pre-paid mail, courier, fax, or email to the Opt-Out Administrator at an address to be identified in the Notice of Certification/Authorization and Approval Hearings. Residents of Quebec must also send the written election to opt-out by pre-paid mail or courier to the Quebec Court at an address to be identified in the Notice of Certification/Authorization and Approval Hearings.

(2) An election to opt-out will only be effective if it is actually received by the Opt-Out Administrator on or before the Opt-Out Deadline.

(3) The written election to opt-out must contain the following information in order to be effective:

- (a) the Person's full name, current address and telephone number;
- (b) the name and number of Sino-Forest securities purchased during the Class Period and the date and price of each such transaction;
- (c) a statement to the effect that the Person wishes to be excluded from the Proceedings; and
- (d) the reasons for opting out.

(4) Quebec Class Members who have commenced proceedings or commence proceedings against any of the Defendants with respect to the matters at issue in the Quebec Proceeding and fail to discontinue such proceedings by the Opt-Out Deadline shall be deemed to have opted out of the Quebec Proceeding. Quebec Counsel warrant and represent that, to the best of their knowledge, no such action has been commenced as of the date this Settlement Agreement was executed by it.

4.2 Opt-Out Report

Within fifteen (15) days of the Opt-Out Deadline, the Opt-Out Administrator shall provide to the Settling Defendant a report containing the following information in respect of each Person, if any, who has validly and timely opted out of the Proceedings:

- (a) the Person's full name, current address and telephone number;
- (b) the reasons for opting out, if given; and
- (c) a copy of all information provided in the opt-out process by the Person electing to opt-out.

SECTION 5 – NON-APPROVAL OF SETTLEMENT AGREEMENT

5.1 Effect of Non-Approval of Settlement Agreement

In the event of non-approval of the Settlement Agreement by either of the Ontario Court or the Quebec Court:

- (a) any order certifying or authorizing a Proceeding as a class action on the basis of the Settlement Agreement or approving this Settlement Agreement shall be set aside and declared null and void and of no force or effect, and anyone shall be estopped from asserting otherwise;
- (b) to the extent that any Court is resistant to setting aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes, Class Counsel undertakes to, on a best efforts basis, assist the Settling Defendant in having such an order set aside and shall, if requested by the Settling Defendant, bring a

motion on behalf of the Plaintiffs to set aside any order certifying or authorizing the Proceeding as a class action solely for settlement purposes;

- (c) any prior certification or authorization of a Proceeding as a class proceeding, including, without limitation, the definitions of the Settlement Class and the Common Issue, shall be without prejudice to any position that any of the Parties may later take on any issue in the Proceedings or any other litigation;
- (d) within ten (10) days of such non-approval having occurred, Class Counsel shall destroy: (i) all documents and other materials provided by the Settling Defendant or any Releasee; and (ii) all documents and other materials containing or reflecting information derived from any documents or other materials provided by the Settling Defendant or any Releasee or conveyed by counsel for the Settling Defendant, through the evidentiary proffer process described in subsection 3.4(2) herein or otherwise.
- (e) To the extent Class Counsel or the Plaintiffs have disclosed any documents or other materials provided by the Settling Defendant or any Releasee to any other Person, Class Counsel shall, within ten (10) days, recover and destroy such documents and other materials and shall provide the Settling Defendant and Releasees with a written certification by Class Counsel of such destruction.
- (f) Nothing contained in this section 5.1 shall be construed to require Class Counsel to destroy any of their work product; and
- (g) subject to section 5.2 herein, all obligations pursuant to this Settlement Agreement shall cease immediately.

5.2 Survival of Provisions After Non-Approval of Settlement Agreement

If this Settlement Agreement is not approved by the Courts, the provisions of sections 5, 8.1, and 8.2, and the definitions and Schedules applicable thereto shall survive the non-approval and continue in full force and effect. The definitions and Schedules shall survive only for the limited purpose of the interpretation of sections 5, 8.1, and 8.2 within the meaning of this Settlement Agreement, but for no other purposes. All other provisions of this Settlement

Agreement and all other obligations pursuant to this Settlement Agreement shall cease immediately.

5.3 Reservation of Rights in the Event of Non-Approval of Settlement Agreement

Except as may be set forth in this Settlement Agreement, the Settling Defendant and Plaintiffs expressly reserve all of their respective rights if this Settlement Agreement does not become effective or is not approved by the Courts and the Plaintiffs hereby expressly acknowledge that they will not, in any way whatsoever, use the fact or existence of this Settlement Agreement or related documents and information as any form of admission, whether of liability, process, wrongdoing, or otherwise, of the Settling Defendant.

SECTION 6 - RELEASES AND DISMISSALS

6.1 Release of Releasees

(1) Upon the Effective Date, and in consideration of the cooperation of the Settling Defendant and the Releasees pursuant to this Settlement Agreement, and for other valuable consideration set forth in the Settlement Agreement, the Releasors forever and absolutely release the Releasees from the Released Claims.

(2) The Releasors are aware that they may hereafter discover claims or facts in addition to or different from those they now know or believe to be true with respect to the matters giving rise to the Released Claims. Nevertheless, it is the intention of each of the Releasors to fully, finally and forever settle and release the Released Claims. In furtherance of such intention, the release given herein shall be and remain in effect as a full and complete release of all Released Claims, notwithstanding the discovery or existence of any additional or different claims or facts relative thereto.

6.2 Covenant Not To Sue

Notwithstanding section 6.1, for any Settlement Class Members resident in any province or territory where the release of one tortfeasor is a release of all other tortfeasors, upon the Effective Date, the Releasors do not release the Releasees but instead covenant and undertake not to make any claim in any way or to threaten, commence, participate in or continue any proceeding in any jurisdiction against the Releasees in respect of or in relation to the Released Claims.

6.3 No Further Claims

The Releasors shall not now or hereafter institute, continue, maintain or assert, or otherwise join, assist, aid or act in concert in any manner whatsoever, either directly or indirectly, whether in Canada or elsewhere, on their own behalf or on behalf of any class or any other Person, any action, suit, proceedings, arbitration, cause of action, claim or demand, whether civil, criminal, regulatory or otherwise, against any Releasee or any other Person who may claim contribution or indemnity from any Releasee arising from, in respect of or in connection with any of the matters giving rise to any Released Claim or any matter related thereto, except for the continuation of the Proceedings against the Non-Settling Defendants.

6.4 Dismissal of the Proceedings

Upon the Effective Date, each of the Ontario Proceeding and the Quebec Proceeding shall be dismissed with prejudice and without costs as against the Settling Defendant.

6.5 Dismissal of Other Actions

(1) Upon the Effective Date, each Settlement Class Member shall be deemed to consent to the dismissal, without costs or further recourses and with prejudice, of his, her or its Other Actions against the Releasees.

(2) Upon the Effective Date, all Other Actions in each of the Courts' respective jurisdictions commenced by any Settlement Class Member shall be dismissed against the Releasees, without costs or further recourses and with prejudice.

SECTION 7 - BAR ORDER AND OTHER CLAIMS

7.1 Ontario Bar Order

(1) The Plaintiffs in the Ontario Proceeding shall seek a bar order from the Ontario Court providing for the following:

- (a) All claims for contribution, indemnity or other claims over, including, without limitation, potential third party claims, at common law, equity or pursuant to the *OSA* or other statute, whether asserted, unasserted or asserted in a representative capacity, inclusive of interest, taxes and costs, relating to the Released Claims, which were or could have been brought in the Proceedings or otherwise, or could in the

future be brought on the basis of the same events, actions and omissions underlying the Proceedings or otherwise, by any Non-Settling Defendant or any Party or other Releasor against a Releasee are barred, prohibited and enjoined in accordance with the terms of this section 7.1.

- (b) If the Court determines that there is a right of contribution and indemnity or other claims over, whether in equity or in law, pursuant to the *OSA* or other statute, or otherwise:
- i. the Ontario Settlement Class Members shall not be entitled to claim or recover from the Non-Settling Defendants that portion of any damages (including punitive damages, if any), restitutionary award, disgorgement of profits, interest and costs that corresponds to the Proportionate Liability of the Releasees proven at trial or otherwise; and
 - ii. this Court shall have full authority to determine the Proportionate Liability of the Releasees at the trial or other disposition of this action, whether or not the Releasees appear at the trial or other disposition and the Proportionate Liability of the Releasees shall be determined as if the Releasees are parties to this action and any determination by this Court in respect of the Proportionate Liability of the Releasees shall only apply in this action and shall not be binding on the Releasees in any other proceedings.
- (c) After the Ontario Proceeding has been certified as a class action and all appeals or times to appeal from such certification have been exhausted, a Non-Settling Defendant may make a motion to the Court on at least twenty (20) days notice, and to be determined as if the Settling Defendant is party to this action, seeking orders for the following:
- i. documentary discovery and an affidavit of documents in accordance with the *Rules of Civil Procedure*, O.Reg. 194 from the Settling Defendant;
 - ii. oral discovery of a representative of the Settling Defendant, the transcripts of which may be read in at trial;
 - iii. leave to serve a request to admit on the Settling Defendant in respect of factual matters; and/or
 - iv. the production of a representative of the Settling Defendant to testify at trial, with such witness or witnesses to be subject to cross-examination by counsel for the Non-Settling Defendants.

- (d) The Settling Defendant retains all rights to oppose such motion(s) brought under subsection 7.1(1)(c).
- (e) A Non-Settling Defendant may effect service of the motion(s) referred to in subsection 7.1(1)(c) on the Settling Defendant by service on counsel of record for the Settling Defendant in the Ontario Proceeding.
- (f) To the extent that an order is granted pursuant to subsection 7.1(1)(c) and discovery is provided to a Non-Settling Defendant, a copy of all discovery provided, whether oral or documentary in nature, shall promptly be provided by counsel for the Settling Defendant to Class Counsel on behalf of the Plaintiffs.

7.2 Quebec Bar Order

- (1) The Plaintiffs in the Quebec Proceeding shall seek a bar order from the Quebec Court providing for the following:
 - (a) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding expressly waive the benefit of solidarity against the Non-Settling Defendants with respect to the facts, deeds and omissions of the Settling Defendant;
 - (b) the Plaintiffs and the Settlement Class Members in the Quebec Proceeding shall henceforth only be able to claim and recover damages, including punitive damages, attributable to the conduct of the Non-Settling Defendants;
 - (c) any action in warranty or other joinder of parties to obtain any contribution or indemnity from the Settling Defendant or relating to the Released Claims shall be inadmissible and void in the context of the Quebec Proceeding; and
 - (d) the Quebec Court retains an ongoing supervisory role for the purposes of executing this section 7.2, as well as all procedural aspects of the Quebec Proceeding, and all issues regarding this section 7.2 or any other procedural issues shall be resolved under special case management and according to the *Quebec Code of Civil Procedure*, and the Settling Defendant shall acknowledge the jurisdiction of the Quebec Court for such purposes.

7.3 Claims Against Other Persons Reserved

Except as provided herein, this Settlement Agreement does not settle, compromise, release or limit in any way whatsoever any claim by Settlement Class Members against any Person other than the Settling Defendant and the Releasees.

7.4 Material Term

The form and content of the bar orders contemplated in this section 7 shall be considered a material term of this Settlement Agreement and the failure of any Court to approve the bar orders contemplated herein shall constitute a Non-Approval of Settlement Agreement pursuant to section 5.1 of this Settlement Agreement.

SECTION 8 - EFFECT OF SETTLEMENT

8.1 No Admission of Liability

Whether or not this Settlement Agreement is approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and
- (iii) any action taken to carry out this Settlement Agreement,

shall not be deemed, construed or interpreted to be an admission of any violation of any statute or law, or of any wrongdoing or liability by the Settling Defendant or by any Releasee, or of the truth of any of the claims or allegations contained in the Proceedings or any other pleading filed by the Plaintiffs or any other Settlement Class Member.

8.2 Agreement Not Evidence

The Parties agree that, whether or not approved by the Courts:

- (i) this Settlement Agreement and anything contained herein,
- (ii) any and all negotiations, documents, discussions and proceedings associated with this Settlement Agreement, and

(iii) any action taken to carry out this Settlement Agreement,

shall not be referred to, offered as evidence or received in evidence in any pending or future civil, criminal or administrative action or proceeding, except in a proceeding to approve and/or enforce this Settlement Agreement, or to defend against the assertion of Released Claims, or as otherwise required by law.

8.3 No Further Litigation

No Class Counsel, nor anyone currently or hereafter employed by, associated with, or a partner with Class Counsel, may directly or indirectly participate or be involved in or in any way assist with respect to any claim made or action commenced by any Person which relates to or arises from the Released Claims, except in relation to the continued prosecution of the Proceedings against any Non-Settling Defendant. Moreover, these Persons may not divulge to anyone for any purpose any information obtained in the course of the Proceedings or the negotiation and preparation of this Settlement Agreement, except to the extent such information is otherwise publicly available or unless ordered to do so by a court.

SECTION 9 - CERTIFICATION OR AUTHORIZATION FOR SETTLEMENT ONLY

(1) The Parties agree that the Ontario Proceeding shall be certified, and the Quebec Proceeding shall be authorized, as class proceedings solely for purposes of settlement of the Proceedings and the approval of this Settlement Agreement by the Courts.

(2) The Plaintiffs agree that, in the motions for certification of the Ontario Proceeding and for authorization of the Quebec Proceeding as class proceedings and for the approval of this Settlement Agreement, the only common issue that they will seek to define is the Common Issue and the only classes that they will assert are the Settlement Classes.

SECTION 10 - NOTICE TO SETTLEMENT CLASSES

10.1 Required Notice

The proposed Settlement Classes shall be given Notice of Certification/Authorization and Approval Hearings.

10.2 Form and Distribution of Notices

(1) The form of notice referred to in section 10.1 and the manner and extent of publication and distribution of the notice shall be as agreed to by the Plaintiffs and the Settling Defendant and approved by each of the Courts.

(2) The Settling Defendant shall pay the costs of the notice required in section 10.1 and the cost of the Opt-Out Administrator, provided that such costs shall not exceed \$100,000 CAD (exclusive of all applicable taxes). Any costs in excess of \$100,000 CAD (exclusive of all applicable taxes), shall be borne equally by the Settling Defendant and the Plaintiffs.

SECTION 11 - MISCELLANEOUS

11.1 Motions for Directions

(1) Class Counsel or the Settling Defendant may apply to the Courts for directions in respect of the interpretation, implementation and administration of this Settlement Agreement. Unless the Courts order otherwise, motions for directions that do not relate specifically to the Quebec Proceeding shall be determined by the Ontario Court.

(2) All motions contemplated by this Settlement Agreement shall be on notice to the Plaintiffs and Settling Defendant, as appropriate.

11.2 Class Counsel to Advise Settling Defendant of Status of Proceedings

Class Counsel agrees to provide information as to the status of the Proceedings in response to reasonable requests made by the Settling Defendant from time to time as to the status of the Proceedings. Upon reasonable request, Class Counsel will promptly provide counsel for the Settling Defendant with electronic copies of all affidavit material and facts exchanged in the Proceedings, unless precluded from doing so by court order.

11.3 Headings, etc.

In this Settlement Agreement:

- (a) the division of the Settlement Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Settlement Agreement;

- (b) words in the singular include the plural and vice-versa and words in one gender include all genders; and
- (c) the terms "this Settlement Agreement", "hereof", "hereunder", "herein", and similar expressions refer to this Settlement Agreement and not to any particular section or other portion of this Settlement Agreement.

11.4 Computation of Time

In the computation of time in this Settlement Agreement, except where a contrary intention appears,

- (a) where there is a reference to a number of days between two events, the number of days shall be counted by excluding the day on which the first event happens and including the day on which the second event happens, including all calendar days; and
- (b) only in the case where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

11.5 Ongoing Jurisdiction

- (1) Each of the Courts shall retain exclusive jurisdiction over each Proceeding commenced in its jurisdiction, and over the Parties thereto.
- (2) No Party shall ask a Court to make any order or give any direction in respect of any matter of shared jurisdiction unless that order or direction is conditional upon a complimentary order or direction being made or given by the other Court(s) with which it shares jurisdiction over that matter.
- (3) The Plaintiffs and the Non-Settling Defendant may apply to the Ontario Court for direction in respect of the implementation, administration and enforcement of this Settlement Agreement.

11.6 Governing Law

This Settlement Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario, save for matters relating exclusively to the

Quebec Class Members, which matters shall be governed by and construed and interpreted in accordance with the Laws of the Province of Quebec shall apply.

11.7 Disputes

(1) Subject to subsection 11.7(2) herein, if there is a dispute regarding the applicability of any provision or term of this Settlement Agreement which cannot be resolved through reasonable discussions and negotiations as between Class Counsel and counsel for the Settling Defendant, such dispute(s) shall be submitted to the Ontario Court for resolution, save for dispute(s) relating exclusively to the Quebec Class Members, which dispute(s) shall be submitted to the Quebec Court for resolution. The costs of any such dispute shall be shared by the parties to the dispute according to the degree to which they do or do not prevail on their respective claims (i.e., with the losing party bearing the greater share), as determined by the Ontario Court or the Quebec Court, as the case may be. To the extent that any dispute contemplated in this subsection 11.7(1) involves or requires a determination as to whether any documents or other materials shall be required to be disclosed pursuant to this Settlement Agreement, Class Counsel and counsel for the Settling Defendant agree to seek, on a consent basis, a sealing order or other appropriate relief such as to ensure that any such documents or other materials shall remain confidential and shall not form part of the public Ontario Court record or the Quebec Court record, as the case may be.

(2) To the extent that any dispute contemplated in this section 11.7 involves or requires a determination as to whether any documents, information or other materials are prohibited from being disclosed by the Settling Defendant pursuant to any foreign privacy law, foreign state secrets law or other law of a foreign jurisdiction, Class Counsel and counsel for the Settling Defendant agree to seek, on a joint and reasonable efforts basis, the requisite approval for the disclosure or export of such documents or other materials from the relevant authorities of the applicable foreign jurisdiction.

11.8 Joint and Severable / Indivisible

All of the obligations of the Plaintiffs and the Releasers in this Settlement Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec. All of the obligations of the Settling Defendant and the Releasees in this Settlement

Agreement are joint and several (in Quebec, solidary) amongst them and are indivisible under the laws of Quebec.

11.9 Entire Agreement

This Settlement Agreement constitutes the entire agreement among the Parties, and supersedes all prior and contemporaneous understandings, undertakings, negotiations, representations, promises, agreements, agreements in principle and memoranda of understanding in connection herewith. None of the Parties will be bound by any prior obligations, conditions or representations with respect to the subject matter of this Settlement Agreement, unless expressly incorporated herein.

11.10 Amendments

This Settlement Agreement may not be modified or amended except in writing and on consent of all Parties hereto and any such modification or amendment must be approved by the Courts with jurisdiction over the matter to which the amendment relates.

11.11 Binding Effect

This Settlement Agreement shall be binding upon, and enure to the benefit of, the Plaintiffs, the Settling Defendant, the Releasees, the Settlement Class Members, the Releasors and all of their successors and assigns unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11. Without limiting the generality of the foregoing, each and every covenant, condition, release and agreement made herein by the Plaintiffs shall be binding upon all Releasors and each and every covenant, condition, release and agreement made herein by the Settling Defendant shall be binding upon all of the Releasees unless and until this Settlement Agreement is not approved by the Courts, in which case only those sections referenced in section 5.2 of this Settlement Agreement shall continue to be binding in the manner contemplated in this section 11.11.

11.12 General Obligation

Without limiting the generality of any other provisions of this Settlement Agreement, until such time as either of the Courts have refused to approve this Settlement Agreement and the

delay for appeal from which shall have expired without any appeal having been lodged: (i) none of the Plaintiffs, the Releasors and Class Counsel shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement; and (ii) none of the Settling Defendant, the Releasees and their respective counsel that are party hereto shall take any action or omit to take any action that is inconsistent with the purposes and scope of this Settlement Agreement.

11.13 No Assignment

None of the Plaintiffs and the Releasors has heretofore assigned, transferred or granted, or purported to assign, transfer or grant, any of the claims, demands and causes of action disposed of by this Settlement Agreement including, without limitation, any of the Released Claims.

11.14 Third Party Beneficiaries

The Plaintiffs acknowledge and agree, on their behalf and on behalf of all Releasors, that the Releasees other than the Settling Defendant are third party beneficiaries of this Settlement Agreement, and that the obligations and agreements of the Plaintiffs and the Releasors under this Settlement Agreement are expressly intended to benefit all Releasees despite not being signatories to this Settlement Agreement.

11.15 Counterparts

This Settlement Agreement may be executed in counterparts, all of which taken together will be deemed to constitute one and the same agreement, and a facsimile signature shall be deemed an original signature for purposes of executing this Settlement Agreement.

11.16 Negotiated Agreement

This Settlement Agreement has been the subject of negotiations and discussions among the undersigned, each of which has been represented and advised by competent counsel, so that any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Settlement Agreement shall have no force and effect. The Parties further agree that the language contained in or not contained in previous drafts of this Settlement Agreement, or any agreement in principle, shall have no bearing upon the proper interpretation of this Settlement Agreement.

11.17 Language

The Parties acknowledge that they have required and consented that this Settlement Agreement and all related documents be prepared in English; les parties reconnaissent avoir exigé que la présente convention et tous les documents connexes soient rédigés en anglais. If a French translation is made, the English version will have precedence.

11.18 Transaction

This Settlement Agreement constitutes a transaction in accordance with Articles 2631 and following of the *Civil Code of Quebec*, and the Parties are hereby renouncing to any errors of fact, of law and/or of calculation.

11.19 Recitals

The recitals to this Settlement Agreement are true and form an integral part of the Settlement Agreement.

11.20 Schedules

The Schedules annexed hereto form an integral part of this Settlement Agreement.

11.21 Acknowledgements

Each of the Parties hereby affirms and acknowledges that:

- (a) he, she or a representative of the Party with the authority to bind the Party with respect to the matters set forth herein has read and understands the Settlement Agreement;
- (b) the terms of this Settlement Agreement and the effects thereof have been fully explained to him, her or the Party's representative by his, her or its counsel;
- (c) he, she or the Party's representative fully understands each term of the Settlement Agreement and its effect; and
- (d) no Party has relied upon any statement, representation or inducement (whether material, false, negligently made or otherwise) of any other Party with respect to the first Party's decision to execute this Settlement Agreement.

11.22 Authorized Signatures

Each of the undersigned represents that he or she is fully authorized to enter into the terms and conditions of, and to execute, this Settlement Agreement.

11.23 Notice

Where this Settlement Agreement requires a Party to provide notice or any other communication or document to another, such notice, communication or document shall be provided by email, facsimile or letter by overnight delivery to the representatives for the Party to whom notice is being provided, as identified below:

For Plaintiffs in the Ontario Proceedings and for Ontario Counsel:

Charles M. Wright

Kirk M. Baert

Siskinds LLP
Barristers and Solicitors
680 Waterloo Street
London, ON N6A 3V8

Koskie Minsky LLP
Barristers and Solicitors
20 Queen Street West, Suite 900, Box 52
Toronto, ON M5H 3R3

Telephone: 519-660-7753
Facsimile: 519-660-7754
Email: charles.wright@siskinds.com

Tel: 416.595.2117
Fax: 416.204.2889
Email: kbaert@kmlaw.ca

For Plaintiffs in the Quebec Proceedings and for Quebec Counsel

Simon Hébert

Siskinds Desmeules s.e.n.c.r.l.
Les promenades du Vieux-Quebec
43 rue Buade, bureau 320
Quebec City, QC G1R 4A2

Telephone: 418-694-2009
Facsimile: 418-694-0281
Email: simon.hebert@siskindsdesmeules.com

- 31 -

For Settling Defendant
in the Ontario Proceeding:

John J. Pirie

Baker & McKenzie LLP
Barristers & Solicitors
Brookfield Place
Bay/Wellington Tower
181 Bay Street, Suite 2100
Toronto, Ontario M5J 2T3
Canada

Telephone: 416.865.2325
Fax: 416.863.6275
Email: john.pirie@bakermckenzie.com

For Settling Defendant
in the Quebec Proceeding

Bernard Gravel

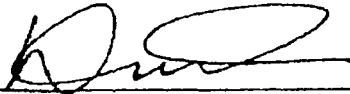
Lapointe Rosenstein Marchand Melançon,
LLP
1250 René-Lévesque Blvd. West, Suite 1400
Montreal, Quebec, H3B 5E9
Canada


Telephone: 514.925.6382
Fax: 514.925.5082
Email: bernard.gravel@lrm.com

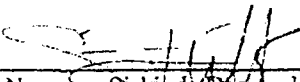
- 32 -

11.24 Date of Execution


The Parties have executed this Settlement Agreement as of the date on the cover page.

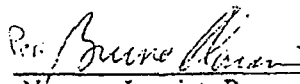
By: 
 Name: Siskinds LLP
 Title: Ontario Counsel

By: 
 Name: Koskie Minsky LLP
 Title: Ontario Counsel

By: 
 Name: Siskinds Desmeules s.e.n.c.r.l
 Title: Quebec Counsel

**PÖYRY (BEIJING) CONSULTING
 COMPANY LIMITED**

By: 
 Name: Baker & McKenzie LLP
 Title: Counsel for the Settling
 Defendant in Ontario

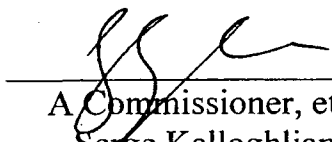
By: 
 Name: Lapointe Rosenstein Marchand
 Melançon, LLP
 Title: Counsel for the Settling
 Defendant in Quebec

SCHEDULE A - PROCEEDINGS

Proceeding	Plaintiffs	Defendants	Settlement Class
Ontario Superior Court of Justice Court File No. CV-11-431153-00CP (the "Ontario Proceeding")	The Trustees of the Labourers' Pension Fund of Central And Eastern Canada, the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, Sjunde Ap-Fonden, David Grant and Robert Wong	Sino-Forest Corporation, Ernst & Young LLP, BDO Limited (formerly known as BDO McCabe Lo Limited), Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West, Pöyry (Beijing) Consulting Company Limited, Credit Suisse Securities (Canada), Inc., TD Securities Inc., Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., Maison Placements Canada Inc., Credit Suisse Securities (USA) LLC and Banc Of America Securities LLC	All persons and entities, wherever they may reside who acquired Sino Forest's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino Forest's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition, except the Excluded Persons.
Superior Court of Quebec (District of Québec), File No. 200-06-000132-111 (the "Quebec Proceeding")	Guining Liu	Sino-Forest Corporation, Ernst & Young LLP, Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West and Pöyry (Beijing) Consulting Company Limited	All natural persons, as well as all legal persons established for a private interest, partnerships and associations having no more than fifty (50) persons bound to it by contract of employment under its direction or control during the twelve (12) month period preceding the motion for authorization domiciled in Quebec

Proceeding	Plaintiffs	Defendants	Settlement Class
			(other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011.

This is Exhibit "AA"
mentioned and referred to in the
Affidavit of Daniel E. H. Bach,
sworn before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

SINO-FOREST CORPORATION

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular is furnished in connection with the solicitation of proxies by the management of Sino-Forest Corporation (the "**Corporation**") for use at the annual meeting (the "**Meeting**") of holders of common shares of the Corporation (collectively, the "**Shareholders**" or individually, a "**Shareholder**") to be held at the time and place and for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the "**Notice**"). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

The Corporation has distributed or made available for distribution, copies of the Notice, the management information circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the "**Intermediaries**") for distribution to Shareholders (the "**Non-registered Shareholders**") whose shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Non-registered Shareholders unless a Non-registered Holder has waived the right to receive them. The solicitation of proxies from Non-registered Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Non-registered Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of these materials.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, or its transfer agent and registrar, CIBC Mellon Trust Company, Attention: Proxy Department, 200 Queens Quay East, Unit #6, Toronto Ontario M5K 4A9 not later than the close of business on Friday, May 23, 2008 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his or her attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder's attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:
 - (i) at the registered office, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, at any time up to and including the last business day preceding the day of the Meeting, being Friday, May 23, 2008, or any adjournment thereof at which the proxy is to be used; or

EXECUTIVE COMPENSATION

Summary Compensation Table

The following sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the President; (iii) the Senior Vice-President and Chief Financial Officer; (iv) the Vice President, Risk Management; and (v) the Senior Vice President, Development and Operations, North East and South West China (collectively, the "Named Executive Officers") for the Corporation's financial years ended December 31, 2007, 2006 and 2005. The Corporation has five "executive officers" as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102") whose compensation must be disclosed for the financial years ended December 31, 2007, 2006 and 2005.

In 2007, the Chairman and Chief Executive Officer received a total annual compensation of US\$5,405,664, which is the sum of his annual salary, bonus, other annual compensation and stock options. Overall, for the financial year ended December 31, 2007, the total cost of compensation to the Named Executive Officers represented 3.78% of the total gross profit of the Corporation.

Name and Principal Position	Financial Year Ended December 31	Annual Compensation			Long-term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Option Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Allen T.Y. Chan, Chairman and Chief Executive Officer	2007	US\$64,100	US\$3,500,000 ⁽²⁾	US\$206,564 ⁽³⁾	250,000 ⁽⁷⁾	-	-	-
	2006	US\$64,100	US\$2,700,000 ⁽²⁾	US\$259,794	750,000	-	-	-
	2005	US\$64,100	US\$2,674,900 ⁽²⁾	US\$248,000	750,000	-	-	-
Kai Kit Poon, President	2007	US\$46,154	US\$450,000 ⁽⁴⁾	-	-	-	-	-
	2006	US\$46,154	US\$450,000 ⁽⁴⁾	-	-	-	-	-
	2005	US\$46,280	US\$438,200 ⁽⁴⁾	-	-	-	-	-
David J. Horsley, Senior Vice President and Chief Financial Officer	2007	\$362,000	US\$1,000,000	-	100,000 ⁽⁷⁾	-	-	-
	2006	\$362,000	US\$750,000	-	-	-	-	-
	2005 ⁽⁵⁾	\$79,872	US\$199,000	-	442,000	-	-	-
Thomas M. Maradin, Vice President, Risk Management	2007	\$225,000	\$87,750	-	-	-	-	-
	2006	\$221,250	\$67,500	-	180,000	-	-	-
	2005	\$72,000	\$12,500	-	-	-	-	-

Name and Principal Position	Financial Year Ended December 31	Annual Compensation			Long-term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Option Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2007	US\$169,230	US\$105,592	US\$31,323 ⁽⁶⁾	100,000 ⁽⁷⁾	-	-	-
	2006	US\$123,077	US\$81,474	US\$24,435	-	-	-	-
	2005	US\$101,805	US\$44,871	US\$18,889	-	-	-	-

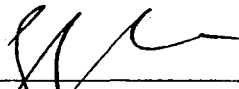
Notes:

- (1) Unless otherwise disclosed, the aggregate amount of perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the salary and the bonus of each Named Executive Officer for the financial years ended December 31, 2007, 2006 and 2005.
- (2) Mr. Allen T.Y. Chan is a director of a company which provides Sino-Wood Partners, Limited, a subsidiary of the Corporation ("Sino-Wood"), with certain corporate services (including cash management, risk management, sales and marketing, governmental relations and investor relations) at the costs set forth under "Bonus".
- (3) The amounts included for Mr. Chan under "Other Annual Compensation" include perquisites and personal benefits for housing (US\$90,855), car benefits (US\$79,400), life insurance and club memberships.
- (4) Mr. Kai Kit Poon is a director of a company which provides Sino-Wood with certain corporate services (including cash management, risk management, sales and marketing, governmental relations and investor relations) at the costs set forth under "Bonus".
- (5) Effective October 10, 2005, Mr. Horsley was appointed Senior Vice President and Chief Financial Officer of the Corporation.
- (6) The amounts included for Mr. Ip under "Other Annual Compensation" include perquisites and personal benefits for staff allowances (US\$10,736) and car benefits (US\$20,587).
- (7) The value of the stock options granted in 2007 for Mr. Allen T.Y. Chan, Mr. David J. Horsley and Mr. Albert Ip were US\$1,635,000, US\$654,000 and US\$654,000 respectively, based on a weighted average fair value of each option of US\$6.54 on the date of option grant (June 4, 2007) using the Black Scholes option-pricing model.

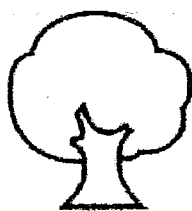
Long-term Incentive Plan ("LTIP") Awards During the Most Recently Completed Financial Year

No LTIP awards were made to the Named Executive Officers during the financial year ended December 31, 2007.

This is Exhibit "BB" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Sino-Forest Corporation

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

Meeting to be held at 4:00 p.m.
Monday, May 25, 2009

Ontario Room
Fairmont Royal York Hotel
100 Front Street West
Toronto, ON M5J 1E3

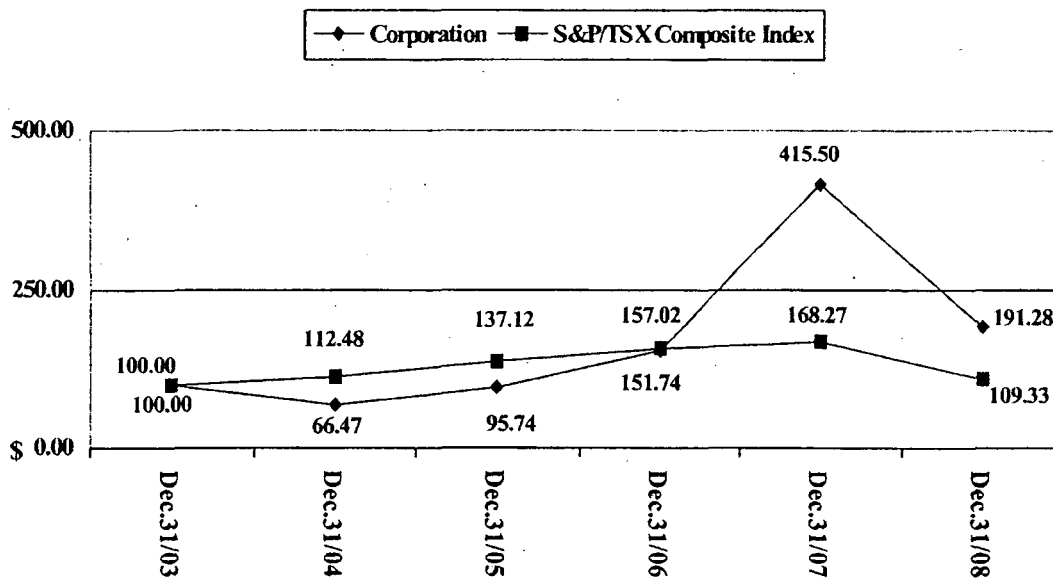
The Compensation and Nominating Committee will continue however to have the ability to grant stock options on a discretionary basis.

2. **Minimum share ownership:** Effective in fiscal 2009, the Corporation has adopted a policy whereby the Chief Executive Officer will be required to own such number of Common Shares as is equal to four times his 2009 base salary, and the Chief Financial Officer is required to own such number of Common Shares as is equal to two times his 2009 base salary. Such minimum share ownership requirements must be achieved within a five year period.

Shareholder Return Performance Graph

The Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX"). The following graph shows the percentage change in the cumulative total shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index for the period from December 31, 2003 to December 31, 2008 assuming \$100 initial investments. The performance of the Common Shares as set out in the graph below is based upon historical data and is not indicative of, nor is it intended to forecast, the future performance of the Common Shares.

Comparison of Five Year Cumulative Total Return between Sino-Forest Corporation and the S&P/TSX Composite Index



The Compensation and Nominating Committee considers a number of factors and performance elements when determining compensation for the executive officers of the Corporation. Although the Compensation and Nominating Committee believes that there is a strong link between creating shareholder value and executive compensation, as shareholder return is not one of the explicit performance goals, a direct correlation between shareholder returns and executive compensation levels over any one performance period may or may not be evident.

Summary Compensation Table

The following table sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the President; (iii) the Senior Vice-President and Chief Financial Officer; (iv) the Vice President, Risk Management; and (v) the Senior Vice

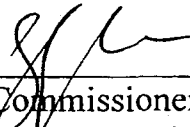
President, Development and Operations, North East and South West China (collectively, the “Named Executive Officers”) for the Corporation’s financial year ended December 31, 2008. The Corporation has five “executive officers” as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”) whose compensation must be disclosed for the financial year ended December 31, 2008.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Allen T.Y. Chan, Chairman and Chief Executive Officer	2008	US\$449,869 ⁽¹⁾⁽⁶⁾	-	-	US\$4,450,000	-	-	US\$92,746 ⁽¹⁾⁽⁷⁾	US\$4,992,615
Kai Kit Poon, President	2008	US\$269,923 ⁽¹⁾⁽⁸⁾	-	-	US\$450,000	-	-	US\$35,310 ⁽¹⁾⁽⁹⁾	US\$755,233
David J. Horsley, Senior Vice President and Chief Financial Officer	2008	US\$328,300 ⁽²⁾	-	-	US\$1,335,000 ⁽³⁾	-	-	-	US\$1,663,300
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2008	US\$186,633 ⁽¹⁾	-	-	US\$261,076 ⁽⁴⁾	-	-	US\$39,787 ⁽¹⁾⁽¹⁰⁾	US\$487,496
Thomas M. Maradin, Vice President, Risk Management	2008	US\$211,050 ⁽²⁾	-	-	US\$213,894 ⁽⁵⁾	-	-	-	US\$424,944

Notes:

- (1) The amounts denominated in US\$ under “Salary” and “All other compensation” are paid/payable in HK\$ to Mr. Chan, Mr. Poon and Mr. Ip. Such amounts are paid on a monthly basis and therefore all such HK dollar amounts are translated at the approximate rate of HK\$7.78:US\$1.00, being the average monthly exchange rate for fiscal 2008.
- (2) The amounts denominated in US\$ under “Salary” are paid/payable in Cdn.\$ to Mr. Horsley and Mr. Maradin. Such amounts are paid on a monthly basis and therefore all such Canadian dollar amounts are translated at the approximate rate of Cdn.\$1.066:US\$1.00, being the average monthly exchange rate for fiscal 2008.
- (3) The bonus amount denominated in US\$ under “Annual incentive plans” is paid/payable in Cdn.\$ to Mr. Horsley at an exchange rate of Cdn.\$1.2871:US\$1.00, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amount.
- (4) The bonus amount denominated in US\$ under “Annual incentive plans” is paid/payable in HK\$ to Mr. Ip at an exchange rate of HK\$7.756:US\$1.00, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved the bonus amount.
- (5) The bonus amount payable to Mr. Maradin under “Annual incentive plans” was declared in HK\$ and has been translated at the rate of HK\$7.756:US\$1.00. Such bonus amount is paid/payable in Cdn.\$ to Mr. Maradin at an exchange rate of Cdn.\$1.2871:US\$1.00, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amount.

This is Exhibit "CC" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Sino-Forest Corporation

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

Meeting to be held at 4:00 p.m.

Monday, May 31, 2010

Territories Room, Main Mezzanine

Fairmont Royal York Hotel

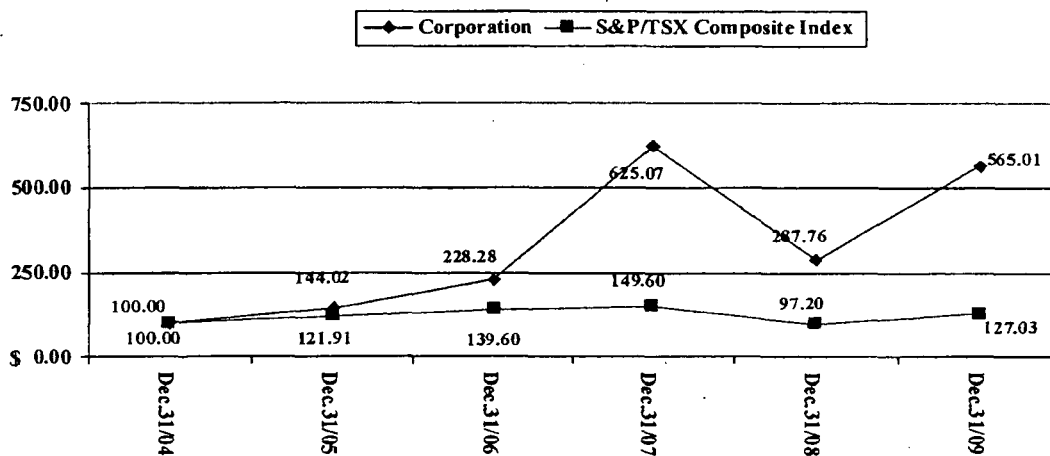
100 Front Street West

Toronto, ON M5J 1E3

Shareholder Return Performance Graph

The Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX"). The following graph shows the percentage change in the cumulative total shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index for the period from December 31, 2004 to December 31, 2009 assuming \$100 initial investments. The performance of the Common Shares as set out in the graph below is based upon historical data and is not indicative of, nor is it intended to forecast, the future performance of the Common Shares.

Comparison of Five Year Cumulative Total Return between Sino-Forest Corporation and the S&P/TSX Composite Index



Over the same five-year period, the total cash compensation received by the Named Executive Officers, in aggregate, increased by a compounded annual rate of 28.7% compared to the 41.4% compounded annualized increase in cumulative shareholder return for an investment in Common Shares on the TSX.

The Compensation and Nominating Committee considers a number of factors and performance elements when determining compensation for the executive officers of the Corporation. Although the Compensation and Nominating Committee believes that there is a strong link between creating shareholder value and executive compensation, as shareholder return is not one of the explicit performance goals, a direct correlation between shareholder returns and executive compensation levels over any one performance period may or may not be evident.

Summary Compensation Table


The following table sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the President; (iii) the Senior Vice-President and Chief Financial Officer; (iv) the Vice President, Risk Management; and (v) the Senior Vice President, Development and Operations, North East and South West China (collectively, the "Named Executive Officers") for the Corporation's financial years ended December 31, 2009 and December 31, 2008. The Corporation has five "executive officers" as such term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102") whose compensation must be disclosed for the financial years ended December 31, 2009 and December 31, 2008.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽¹¹⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Allen T.Y. Chan, Chairman and Chief Executive Officer	2009	US\$451,450 ⁽¹⁾⁽⁶⁾	-	US\$682,982	US\$6,324,000	-	-	US\$140,696 ⁽¹⁾⁽⁷⁾	US\$7,599,128
	2008	US\$449,869 ⁽¹⁾⁽⁶⁾	-	-	US\$4,450,000	-	-	US\$92,746 ⁽¹⁾⁽⁷⁾	US\$4,992,615
Kai Kit Poon, President	2009	US\$270,871 ⁽¹⁾⁽⁸⁾	-	-	US\$632,000	-	-	US\$25,696 ⁽¹⁾⁽⁹⁾	US\$928,567
	2008	US\$269,923 ⁽¹⁾⁽⁸⁾	-	-	US\$450,000	-	-	US\$35,310 ⁽¹⁾⁽⁹⁾	US\$755,233
David J. Horsley, Senior Vice President and Chief Financial Officer	2009	US\$306,480 ⁽²⁾	-	US\$287,802	US\$1,897,000 ⁽³⁾	-	-	-	US\$2,491,282
	2008	US\$328,300 ⁽²⁾	-	-	US\$1,335,000 ⁽³⁾	-	-	-	US\$1,663,300
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2009	US\$200,006 ⁽¹⁾	-	US\$127,836	US\$339,879 ⁽⁴⁾	-	-	US\$37,966 ⁽¹⁾⁽¹⁰⁾	US\$705,687
	2008	US\$186,633 ⁽¹⁾	-	-	US\$261,076 ⁽⁴⁾	-	-	US\$39,787 ⁽¹⁾⁽¹⁰⁾	US\$487,496
Thomas M. Maradin, Vice President, Risk Management	2009	US\$197,023 ⁽²⁾	-	US\$87,850	US\$290,057 ⁽⁵⁾	-	-	-	US\$574,930
	2008	US\$211,050 ⁽²⁾	-	-	US\$213,894 ⁽⁵⁾	-	-	-	US\$424,944

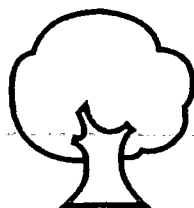
Notes:

- (1) The amounts denominated in US\$ under "Salary" and "All other compensation" are paid/payable in HK\$ to Mr. Chan, Mr. Poon and Mr. Ip. Such amounts are paid on a monthly basis and therefore all such HK dollar amounts are translated at an annual average exchange rate of HK\$7.751780:US\$1.00 for fiscal 2009 and HK\$7.78:US\$1.00 for fiscal 2008.
- (2) The amounts denominated in US\$ under "Salary" are paid/payable in Cdn.\$ to Mr. Horsley and Mr. Maradin. Such amounts are paid on a monthly basis and therefore all such Canadian dollar amounts are translated at an annual average exchange rate of Cdn.\$1.142:US\$1.00 for fiscal 2009 and Cdn.\$1.066:US\$1.00 for fiscal 2008.
- (3) The bonus amounts denominated in US\$ under "Annual incentive plans" are paid/payable in Cdn.\$ to Mr. Horsley and are translated at an exchange rate of Cdn.\$1.0288:US\$1.00 for fiscal 2009 and Cdn.\$1.2871:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (4) The bonus amounts denominated in US\$ under "Annual incentive plans" are paid/payable in HK\$ to Mr. Ip and are translated at an exchange rate of HK\$7.7626:US\$1.00 for fiscal 2009 and HK\$7.756:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (5) The bonus amounts payable to Mr. Maradin under "Annual incentive plans" were declared in HK\$ and are translated at the rate of HK\$7.7626:US\$1.00 for fiscal 2009 and HK\$7.756:US\$1.00 for fiscal 2008. Such bonus amounts are paid/payable in Cdn.\$ to Mr. Maradin at an exchange rate of Cdn.\$1.0288:US\$1.00 for fiscal 2009 and Cdn.\$1.2871:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (6) Includes fees (US\$386,949 in fiscal 2009 and US\$385,604 in fiscal 2008) which were paid to a company of which Mr. Chan is a director, for certain corporate services that were provided to Suri-Wood Inc. ("Suri-Wood"), a subsidiary of the Corporation. For further details, see "Significant Terms of Employment Agreements or Arrangements" below.

This is Exhibit "DD"
mentioned and referred to in the
Affidavit of Daniel E. H. Bach,
sworn before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)



Sino-Forest Corporation

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

and

MANAGEMENT INFORMATION CIRCULAR

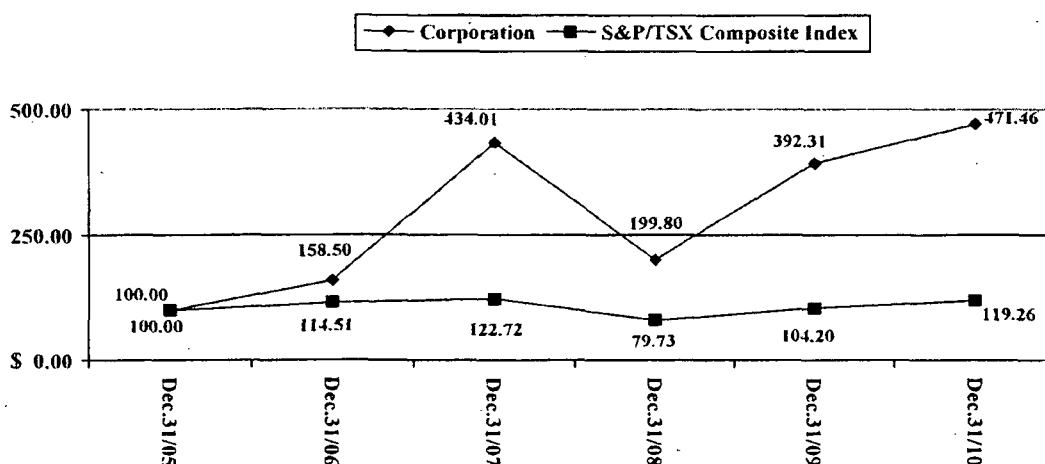
Meeting to be held at 4:00 p.m.
Monday, May 30, 2011

Territories Room, Main Mezzanine
Fairmont Royal York Hotel
100 Front Street West
Toronto, ON M5J 1E3

Shareholder Return Performance Graph

The Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX"). The following graph shows the percentage change in the cumulative total shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index for the period from December 31, 2005 to December 31, 2010 assuming \$100 initial investments. The performance of the Common Shares as set out in the graph below is based upon historical data and is not indicative of, nor is it intended to forecast, the future performance of the Common Shares.

Comparison of Five Year Cumulative Total Return between Sino-Forest Corporation and the S&P/TSX Composite Index



Over the same five-year period, the total cash compensation received by the Named Executive Officers, in aggregate, increased by a compounded annual rate of 20% compared to the 36% compounded annualized increase in cumulative shareholder return for an investment in Common Shares on the TSX.

The Compensation and Nominating Committee considers a number of factors and performance elements when determining compensation for the executive officers of the Corporation. Although the Compensation and Nominating Committee believes that there is a strong link between creating shareholder value and executive compensation, as shareholder return is not one of the explicit performance goals, a direct correlation between shareholder returns and executive compensation levels over any one performance period may or may not be evident.

Summary Compensation Table

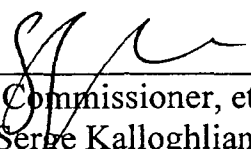
The following table sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the Vice Chairman; (iii) the President; (iv) the Senior Vice-President and Chief Financial Officer; and (v) the Senior Vice President, Development and Operations, North East and South West China (collectively, the "Named Executive Officers") for the Corporation's financial years ended December 31, 2010, 2009 and 2008. The Corporation has five "executive officers" as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102") whose compensation must be disclosed for the financial year ended December 31, 2010 and four "executive officers" whose compensation must be disclosed for the financial years ended December 31, 2009 and December 31, 2008.

Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	LTIP			
Allen Chan, Chairman and Chief Executive Officer	2010	US\$450,356 ⁽²⁾⁽³⁾	-	US\$1,730,029 ⁽⁴⁾	US\$7,000,000	-	-	US\$122,250 ⁽²⁾⁽⁵⁾	US\$9,302,635
	2009	US\$451,450 ⁽²⁾⁽³⁾	-	US\$682,982	US\$6,324,000	-	-	US\$140,696 ⁽²⁾⁽⁵⁾	US\$7,599,128
	2008	US\$449,869 ⁽²⁾⁽³⁾	-	-	US\$4,450,000	-	-	US\$92,746 ⁽²⁾⁽⁵⁾	US\$4,992,615
Judson Martin, Vice Chairman	2010	US\$292,732 ⁽²⁾⁽⁶⁾	US\$55,606 ⁽⁷⁾	US\$985,033 ⁽⁸⁾	US\$693,000	-	-	US\$630,459 ⁽²⁾⁽⁹⁾	US\$2,656,830
Kai Kit Poon, President	2010	US\$270,214 ⁽²⁾⁽¹⁰⁾	-	-	US\$632,000	-	-	US\$32,904 ⁽²⁾⁽¹¹⁾	US\$935,118
	2009	US\$270,871 ⁽²⁾⁽¹⁰⁾	-	-	US\$632,000	-	-	US\$25,696 ⁽²⁾⁽¹¹⁾	US\$928,567
	2008	US\$269,923 ⁽²⁾⁽¹⁰⁾	-	-	US\$450,000	-	-	US\$35,310 ⁽²⁾⁽¹¹⁾	US\$755,233
David Horsley, Senior Vice President and Chief Financial Officer	2010	US\$339,707 ⁽¹²⁾	-	US\$734,829	US\$2,000,000 ⁽¹³⁾	-	-	-	US\$3,074,536
	2009	US\$306,480 ⁽¹²⁾	-	US\$287,802	US\$1,897,000 ⁽¹³⁾	-	-	-	US\$2,491,282
	2008	US\$328,300 ⁽¹²⁾	-	-	US\$1,335,000 ⁽¹³⁾	-	-	-	US\$1,663,300
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2010	US\$213,083 ⁽²⁾	-	US\$319,784	US\$344,024 ⁽¹⁴⁾	-	-	US\$40,012 ⁽²⁾⁽¹⁵⁾	US\$916,903
	2009	US\$200,006 ⁽²⁾	-	US\$127,836	US\$339,879 ⁽¹⁴⁾	-	-	US\$37,966 ⁽²⁾⁽¹⁵⁾	US\$705,687
	2008	US\$186,633 ⁽²⁾	-	-	US\$261,076 ⁽¹⁴⁾	-	-	US\$39,787 ⁽²⁾⁽¹⁵⁾	US\$487,496

Notes:

- (1) The amounts denominated in US\$ under "Option-based awards" are based on a percentage of the base annual salary of the NEOs (in Cdn.\$) and represent the dollar value used to determine the number of stock options to be awarded to the NEOs - see "Compensation Discussion and Analysis - Long-term Incentive Plan (LTIP)". Such amounts have been translated at an exchange rate of Cdn.\$1.0188:US\$1.00 (or Cdn.\$1.0199:US\$1.00 for Mr. Martin) for fiscal 2010 and Cdn.\$1.2590:US\$1.00 for fiscal 2009, being the applicable exchange rate on the trading date immediately prior to the grant date of such stock options. For fiscal 2010, the number of stock options awarded to the NEOs was then determined using an exercise price of \$19.56 (or \$17.41 for Mr. Martin) and a Black-Scholes factor of 10.07% (or 8.89% for Mr. Martin). For fiscal 2009, the number of stock options awarded to the NEOs was then determined using an exercise price of \$8.01 and a Black-Scholes factor of 4.10%. The Black-Scholes factor was calculated using the following variables: (a) expected life of the options; (b) expected volatility of the Common Share price; (c) risk-free interest rate; and (d) expected dividend yield of the Common Shares. The grant date fair value equals the accounting fair value for stock options.
- (2) The amounts denominated in US\$ under "Salary" and "All other compensation" are paid/payable in HK\$ to Mr. Chan, Mr. Martin (other than the director's fees paid to Mr. Martin prior to his appointment as Vice Chairman - see note 9 below), Mr. Poon and Mr. Ip. Such amounts are paid on a monthly basis and therefore all such HK dollar amounts are translated at an annual average exchange rate of HK\$7.771626:US\$1.00 for fiscal 2010, HK\$7.751780:US\$1.00 for fiscal 2009 and HK\$7.78:US\$1.00 for fiscal 2008.
- (3) Includes fees (US\$386,020 in fiscal 2010, US\$386,949 in fiscal 2009 and US\$385,604 in fiscal 2008) which were paid to a company of which Mr. Chan is a director, for certain corporate services that were provided to Suri-Wood Inc. ("Suri-Wood"), a subsidiary of the Corporation. For further details, see "Significant Terms of Employment Agreements or Arrangements" below.
- (4) Includes US\$492,478, representing the fair value of an aggregate of 6,811,490 stock options granted to Mr. Chan by Greenheart Group Limited for services provided by Mr. Chan in fiscal 2010. Such amount has been calculated using the Binomial Option Pricing model using the following inputs: (a) share price at the date of grant; (b) exercise price per share; (c) expected volatility; and (d) risk-free interest rate, and has been translated at an exchange rate of HK\$7.7764:US\$1.00 with respect to the options granted on August 24, 2010 and HK\$7.7804:US\$1.00 with respect to the options granted on December 28, 2010.

This is Exhibit "EE" mentioned
and referred to in the Affidavit
of Daniel E. H. Bach, sworn
before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.


A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

Insider transaction detail - View details for insider

2012-04-10 14:39 ET

Transactions sorted by : Insider
 Insider family name : chan (Starts with)
 Transaction date range : January 1, 1993 - April 3, 2012

Insider name: Chan, Tak Yuen

Legend: O - Original transaction, A - First amendment to transaction, A' - Second amendment to transaction, AP - Amendment to paper filing, etc.

Insider's Relationship to Issuer: 1 - Issuer, 2 - Subsidiary of Issuer, 3 - 10% Security Holder of Issuer, 4 - Director of Issuer, 5 - Senior Officer of Issuer, 6 - Director or Senior Officer of 10% Security Holder, 7 - Director or Senior Officer of Insider or Subsidiary of Issuer (other than in 4,5,6), 8 - Deemed Insider - 6 Months before becoming Insider.

Warning: The closing balance of the "equivalent number or value of underlying securities" reflects the "total number or value of underlying securities" to which the derivative contracts held by the insider relate. This disclosure does not mean and should not be taken to indicate that the underlying securities have, in fact, been acquired or disposed of by the insider.

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
<p>Issuer name: Sino-Forest Corporation</p> <p>Insider's Relationship to Issuer: 4 - Director of Issuer, 5 - Senior Officer of Issuer</p> <p>Ceased to be insider: Not applicable</p>													

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

Security designation: Common Shares

306022	2003-10-15	2004-08-19	Direct Ownership :	00 - Opening Balance-Initial SEDI Report									
307949	2004-08-17	2004-08-24	Direct Ownership :	36 - Conversion or exchange	+250,000		250,000	250,000					
351021	2004-11-04	2004-11-12	Direct Ownership :	90 - Change in the nature of ownership	+300,000		550,000	550,000					
482294	2005-05-14	2005-05-17	Direct Ownership :	36 - Conversion or exchange	+250,000		800,000	800,000					
779725	2006-08-17	2006-08-22	Direct Ownership :	10 - Acquisition or disposition in the public market	+100,000	4.6595	900,000						
1333529	2008-12-04	2008-12-09	Direct Ownership :	10 - Acquisition or disposition in the public market	+10,000	7.2300	910,000						
1333530	2008-12-04	2008-12-09	Direct Ownership :	10 - Acquisition or disposition in the public market	+400	7.2100	910,400						
1333534	2008-12-04	2008-12-09	Direct Ownership :	10 - Acquisition or disposition in the public market	+9,600	7.2520	920,000						
1637449	2010-05-14	2010-05-18	Direct Ownership :	51 - Exercise of options	+750,000	3.6700	1,670,000						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
1652136	2010-06-09	2010-06-10	Direct Ownership :	10 - Acquisition or disposition in the public market	-182,000	16.5011	1,486,000						
306023	2003-10-15	2004-08-19	Indirect Ownership : ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report									
306044	2004-08-19	2004-08-19	Indirect Ownership : ADS Holdings (BVI) Limited	36 - Conversion or exchange	+2,842,753		2,842,753	2,842,753					
306026	2003-10-15	2004-08-19	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report									
306051	2004-08-19	2004-08-19	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	36 - Conversion or exchange	+2,250,000		2,250,000	2,250,000					
306027	2003-10-15	2004-08-19	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	00 - Opening Balance-Initial SEDI Report									
306056	2004-08-19	2004-08-19	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	36 - Conversion or exchange	+300,000		300,000	300,000					
351009	2004-11-04	2004-11-12	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	90 - Change in the nature of ownership	-300,000			0					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

Security designation: Multiple Voting Shares Class B

O	113067	1998-11-04	2003-11-05	Indirect Ownership: ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report								
A	113067	2003-10-15	2004-03-15	Indirect Ownership: ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report		2,250,000						
	113077	2003-10-15	2003-11-05	Indirect Ownership: ADS Holdings (BVI) Limited	36 - Conversion or exchange	-2,250,000		0	0				
O	113068	1998-11-04	2003-11-05	Indirect Ownership: Well Conduct Corporation	00 - Opening Balance-Initial SEDI Report								
A	113068	2003-10-15	2004-03-15	Indirect Ownership: Well Conduct Corporation	00 - Opening Balance-Initial SEDI Report		300,000						
	113079	2003-10-15	2003-11-05	Indirect Ownership: Well Conduct Corporation	36 - Conversion or exchange	-300,000		0	0				

Security designation: Options (Common Shares)

	462477	2003-10-15	2005-04-14	Direct Ownership:	00 - Opening Balance-Initial SEDI Report						Common Shares		
	462478	2005-04-05	2005-04-14	Direct Ownership:	50 - Grant of options	+750,000	750,000	750,000	3.6700	2010-04-05	Common Shares	+750,000	750,000
	778651	2006-08-15	2006-08-21	Direct Ownership:	50 - Grant of options	+750,000	5,5000	1,500,000		2011-08-15	Common Shares	+750,000	1,500,000

422

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
985504	2007-06-04	2007-06-13	Direct Ownership :	50 - Grant of options	+250,000	13.1500	1,750,000		13.1500	2012-06-04	Common Shares	+250,000	1,750,000
1407671	2009-03-31	2009-04-07	Direct Ownership :	50 - Grant of options	+209,528		1,959,528		8.0100	2014-03-31	Common Shares	+209,528	1,959,528
1638748	2010-05-13	2010-05-20	Direct Ownership :	50 - Grant of options	+64,462		2,023,990		19.5600	2015-05-13	Common Shares	+64,462	2,023,990
1637447	2010-05-14	2010-05-18	Direct Ownership :	51 - Exercise of options	-750,000	3.8700	1,273,990				Common Shares	-750,000	1,273,990
1834386	2011-03-17	2011-03-21	Direct Ownership :	50 - Grant of options	+52,187		1,328,177		21.8700	2016-03-17	Common Shares	+52,187	1,328,177
O 306040	2004-08-19	2004-08-19	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	+500,000			500,000			Common Shares	+500,000	
Security designation: Rights (Common Shares)													
306105	2003-10-15	2004-08-19	Indirect Ownership : JFP Green Product Inc.	00 - Opening Balance-Initial SEDI Report							Common Shares		
A 306040	2004-08-16	2004-08-24	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	+500,000		500,000	500,000			Common Shares	+500,000	500,000
307941	2004-08-17	2004-08-24	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	-250,000		250,000	250,000			Common Shares	-250,000	250,000

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------	-----------------------	-----------------------------------------	------------------------------	-----------------	------------------------------	------------------------------	------------------------------------------	---------------------------------	-----------------------------------------------------------------------------	------------------------------------------------------------------------

A	306040	2004-08-19	2004-08-19	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	+500,000		500,000			Common Shares	+500,000	
	482280	2005-05-14	2005-05-17	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	-250,000		0	0		Common Shares	-250,000	0

Security designation: Rights (Subordinate Voting Shares Class A)

	257488	2003-10-15	2004-05-18	Indirect Ownership : JFP Green Product Inc.	00 - Opening Balance-Initial SEDI Report						Subordinate Voting Shares Class A		
	257844	2004-05-14	2004-05-19	Indirect Ownership : JFP Green Product Inc.	97 - Other	+500,000		500,000	500,000		Subordinate Voting Shares Class A	+500,000	500,000
A	306035	2004-08-16	2004-08-24	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	-500,000		0	0		Subordinate Voting Shares Class A	-500,000	0
O	306035	2004-08-19	2004-08-19	Indirect Ownership : JFP Green Product Inc.	36 - Conversion or exchange	-500,000			0		Subordinate Voting Shares Class A	-500,000	

Security designation: Subordinate Voting Shares Class A


O	144118	1998-11-04	2003-12-16	Direct Ownership :	00 - Opening Balance-Initial SEDI Report								
A	144118	2003-10-15	2004-03-15	Direct Ownership :	00 - Opening Balance-Initial SEDI Report			1,640,000					
	144121	2003-12-08	2003-12-16	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,640,000	3.7000	0	0				

424

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
O	215754	1998-11-04	2004-03-15	Indirect Ownership: ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report								
A	215754	2003-10-15	2004-03-15	Indirect Ownership: ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report		2,842,753						
	306041	2004-08-19	2004-08-19	Indirect Ownership: ADS Holdings (BVI) Limited	36 - Conversion or exchange	-2,842,753		0	0				
O	144124	1998-11-04	2003-12-16	Indirect Ownership: Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report								
A	144124	2003-10-15	2004-03-15	Indirect Ownership: Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	00 - Opening Balance-Initial SEDI Report								
	144127	2003-10-15	2003-12-16	Indirect Ownership: Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	36 - Conversion or exchange	+2,250,000		2,250,000	2,250,000				
	306049	2004-08-19	2004-08-19	Indirect Ownership: Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited	36 - Conversion or exchange	-2,250,000		0	0				
O	144130	1998-11-04	2003-12-16	Indirect Ownership: Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	00 - Opening Balance-Initial SEDI Report								

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
A	144130	2003-10-15	2004-03-15	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	00 - Opening Balance-Initial SEDI Report								
	144131	2003-10-15	2003-12-16	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	36 - Conversion or exchange	-300,000	300,000	300,000					
	306053	2004-08-19	2004-08-19	Indirect Ownership : Forest Investment Partners, Ltd. on behalf of Well Conduct Corporation	36 - Conversion or exchange	-300,000		0	0				

This is Exhibit "FF" mentioned and referred to in the Affidavit of Daniel E. H. Bach, sworn before me at the City of Toronto, in the Province of Ontario, this 11th day of April, 2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

Insider transaction detail - View details for insider

2012-04-10 14:42 ET

Transactions sorted by : Insider
 Insider family name : horsley (Starts with)
 Transaction date range : January 1, 1993 - April 3, 2012

Insider name: Horsley, David

Legend: O - Original transaction, A - First amendment to transaction, A' - Second amendment to transaction, AP - Amendment to paper filing, etc.

Insider's Relationship to Issuer: 1 - Issuer, 2 - Subsidiary of Issuer, 3 - 10% Security Holder of Issuer, 4 - Director of Issuer, 5 - Senior Officer of Issuer, 6 - Director or Senior Officer of 10% Security Holder, 7 - Director or Senior Officer of Insider or Subsidiary of Issuer (other than in 4,5,6), 8 - Deemed Insider - 6 Months before becoming Insider.

Warning: The closing balance of the " equivalent number or value of underlying securities" reflects the " total number or value of underlying securities" to which the derivative contracts held by the insider relate. This disclosure does not mean and should not be taken to indicate that the underlying securities have, in fact, been acquired or disposed of by the insider.

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------	-----------------------	-----------------------------------------	------------------------------	-----------------	------------------------------	------------------------------	------------------------------------------	---------------------------------	-----------------------------------------------------------------------------	------------------------------------------------------------------------

Issuer name: Boyuan Construction Group, Inc.

Insider's Relationship to issuer: 4 - Director of Issuer

Ceased to be Insider: Not applicable

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

Security designation: Common Shares

1530623	2009-02-27	2009-12-08	Direct Ownership :	00 - Opening Balance-Initial SEDI Report									
1530825	2009-12-07	2009-12-08	Direct Ownership :	10 - Acquisition or disposition in the public market	+10,000	3.1800	10,000						

Security designation: Convertible Debentures Unsecured BOY.DB.A

1730894	2009-02-27	2010-11-05	Direct Ownership :	00 - Opening Balance-Initial SEDI Report									
1730898	2010-11-03	2010-11-05	Direct Ownership :	11 - Acquisition or disposition carried out privately	+\$50	1000.0000	\$50						

Security designation: Options (Common Shares)

1507139	2009-02-27	2009-10-30	Direct Ownership :	00 - Opening Balance-Initial SEDI Report							Common Shares		
1507140	2009-10-28	2009-10-30	Direct Ownership :	50 - Grant of options	+40,000	2.6300	40,000			2014-10-28	Common Shares	+40,000	40,000
1670882	2010-07-08	2010-07-12	Direct Ownership :	50 - Grant of options	+50,000	2.1000	90,000			2015-07-08	Common Shares	+50,000	90,000
1857432	2011-10-11	2011-10-14	Direct Ownership :	50 - Grant of options	+50,000	0.8200	140,000			2016-10-11	Common Shares	+50,000	140,000

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------	-----------------------	-----------------------------------------	------------------------------	-----------------	------------------------------	------------------------------	------------------------------------------	---------------------------------	-----------------------------------------------------------------------------	------------------------------------------------------------------------

Issuer name: Cygnal Technologies Corporation

Insider's Relationship to Issuer: 5 - Senior Officer of Issuer

Ceased to be Insider: 2005-10-14

Security designation: Common Shares

21412	2003-06-04	2003-06-15	Direct Ownership:	00 - Opening Balance-Initial SEDI Report									
21413	2003-06-13	2003-06-15	Direct Ownership:	10 - Acquisition or disposition in the public market	+10,000	1.5000	10,000						

Security designation: Options (Common Shares)

21411	2003-06-04	2003-06-15	Direct Ownership:	00 - Opening Balance-Initial SEDI Report			200,000				Common Shares		
367331	2004-11-23	2004-12-08	Direct Ownership:	50 - Grant of options	+100,000	1.1800	300,000		1.1800	2011-11-23	Common Shares	+100,000	100,000

Issuer name: Fiber Optic Systems Technology, Inc.

Insider's Relationship to Issuer: 4 - Director of Issuer

Ceased to be Insider: 2010-09-24

Security designation: Options (Common Shares)

638515	2006-01-31	2006-02-01	Direct Ownership:	00 - Opening Balance-Initial SEDI Report							Common Shares		
638520	2006-01-31	2006-02-01	Direct Ownership:	50 - Grant of options	+77,500	3.5200	77,500			2011-01-31	Common Shares	+77,500	77,500

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
750178	2008-06-27	2006-06-29	Direct Ownership:	50 - Grant of options	+55,000	3.8900	132,500			2011-06-27	Common Shares	+55,000	132,500
1276364	2008-09-10	2008-09-11	Direct Ownership:	50 - Grant of options	+100,000	0.1600	232,500			2013-09-10	Common Shares	+100,000	232,500
1470831	2009-08-20	2009-08-21	Direct Ownership:	50 - Grant of options	+100,000	0.1000	332,500			2014-08-20	Common Shares	+100,000	332,500

Issuer name: Sino-Forest Corporation

Insider's Relationship to Issuer: 5 - Senior Officer of Issuer

Ceased to be Insider: Not applicable

Security designation: Common Shares

782117	2004-09-09	2006-08-25	Direct Ownership:	00 - Opening Balance-Initial SEDI Report									
782119	2006-08-15	2006-08-25	Direct Ownership:	10 - Acquisition or disposition in the public market	+5,000	4.7000	5,000						
782120	2006-08-18	2006-08-25	Direct Ownership:	10 - Acquisition or disposition in the public market	+2,500	4.8400	7,500						
1086046	2007-11-19	2007-11-28	Direct Ownership:	51 - Exercise of options	+29,000	3.9000	38,500						
1088047	2007-11-19	2007-11-28	Direct Ownership:	51 - Exercise of options	+192,000	2.7000	228,500						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
1086049	2007-11-19	2007-11-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-221,000	20.8417	7,500						
1318151	2008-11-17	2008-11-18	Direct Ownership :	10 - Acquisition or disposition in the public market	+2,400	7.0300	9,900						
1318152	2008-11-17	2008-11-18	Direct Ownership :	10 - Acquisition or disposition in the public market	+100	7.0400	10,000						
1600840	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	+100,000	2.7000	110,000						
1600842	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	+121,000	3.8000	231,000						
1600844	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	+68,866	13.1500	297,666						
1600857	2010-03-18	2010-03-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-147,866	19.6300	150,000						
1740421	2010-11-12	2010-11-18	Direct Ownership :	51 - Exercise of options	+29,431	8.0100	179,431						
1740422	2010-11-12	2010-11-18	Direct Ownership :	51 - Exercise of options	+33,334	13.1500	212,785						
1740423	2010-11-15	2010-11-18	Direct Ownership :	10 - Acquisition or disposition in the public market	-40,000	22.0000	172,785						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

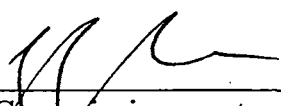
1745321	2010-11-23	2010-11-26	Direct Ownership :	10 - Acquisition or disposition in the public market	-122,765	22.4100	50,000						
---------	------------	------------	--------------------	------------------------------------------------------	----------	---------	--------	--	--	--	--	--	--

Security designation: Options (Common Shares)

O	402318	2004-01-21	2005-01-31	Direct Ownership :	50 - Grant of options	+150,000	3.9000		3.9000	2009-09-09	Common Shares	+150,000	
	402314	2004-09-09	2005-01-31	Direct Ownership :	00 - Opening Balance-Initial SEDI Report						Common Shares		
A	402319	2005-01-21	2005-02-15	Direct Ownership :	50 - Grant of options	+150,000	3.9000	150,000	3.9000	2009-09-09	Common Shares	+150,000	150,000
	568563	2005-09-14	2005-10-12	Direct Ownership :	50 - Grant of options	+292,000	2.7000	442,000	2.7000	2010-09-14	Common Shares	+292,000	442,000
O	985487	2007-06-04	2007-06-13	Direct Ownership :	50 - Grant of options	+100,000	13.1500		13.1500	2012-06-12	Common Shares	+100,000	
A	985487	2007-06-04	2007-06-13	Direct Ownership :	50 - Grant of options	+100,000	13.1500	542,000	13.1500	2012-06-04	Common Shares	+100,000	542,000
	1086038	2007-11-19	2007-11-28	Direct Ownership :	51 - Exercise of options	-29,000	3.9000	513,000			Common Shares	-29,000	513,000
	1086044	2007-11-19	2007-11-28	Direct Ownership :	51 - Exercise of options	-192,000	2.7000	321,000			Common Shares	-192,000	321,000

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
1407680	2009-03-31	2009-04-07	Direct Ownership :	50 - Grant of options	+88,293		409,293		8.0100	2014-03-31	Common Shares	+88,293	409,293
1600833	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	-100,000	2.7000	309,293				Common Shares	-100,000	309,293
1600834	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	-121,000	3.9000	188,293				Common Shares	-121,000	188,293
1600836	2010-03-18	2010-03-22	Direct Ownership :	51 - Exercise of options	-66,666	13.1500	121,627				Common Shares	-66,666	121,627
1638750	2010-05-13	2010-05-20	Direct Ownership :	50 - Grant of options	+38,276		169,903		19.5600	2015-05-13	Common Shares	+38,276	169,903
1740419	2010-11-12	2010-11-18	Direct Ownership :	51 - Exercise of options	-29,431		130,472		8.0100		Common Shares	-29,431	130,472
1740420	2010-11-12	2010-11-18	Direct Ownership :	51 - Exercise of options	-33,334		97,138		13.1500		Common Shares	-33,334	97,138
1834410	2011-03-17	2011-03-21	Direct Ownership :	50 - Grant of options	+31,916		129,054		21.6700	2016-03-17	Common Shares	+31,916	129,054

This is Exhibit "GG"
mentioned and referred to in the
Affidavit of Daniel E. H. Bach,
sworn before me at the City of
Toronto, in the Province of
Ontario, this 11th day of April,
2012.



A Commissioner, etc.
Serge Kalloghlian
(LSUC #55557F)

Insider transaction detail - View details for insider

2012-04-10 14:41 ET

Transactions sorted by : Insider
 Insider family name : poon (Starts with)
 Transaction date range : January 1, 1993 - April 3, 2012

Insider name: Poon, Kai Kit

Legend: O - Original transaction, A - First amendment to transaction, A' - Second amendment to transaction, AP - Amendment to paper filing, etc.

Insider's Relationship to Issuer: 1 - Issuer, 2 - Subsidiary of Issuer, 3 - 10% Security Holder of Issuer, 4 - Director of Issuer, 5 - Senior Officer of Issuer, 6 - Director or Senior Officer of 10% Security Holder, 7 - Director or Senior Officer of Insider or Subsidiary of Issuer (other than in 4,5,6), 8 - Deemed Insider - 6 Months before becoming Insider.

Warning: The closing balance of the " equivalent number or value of underlying securities" reflects the " total number or value of underlying securities" to which the derivative contracts held by the insider relate. This disclosure does not mean and should not be taken to indicate that the underlying securities have, in fact, been acquired or disposed of by the insider.

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------	-----------------------	-----------------------------------------	------------------------------	-----------------	------------------------------	------------------------------	------------------------------------------	---------------------------------	-----------------------------------------------------------------------------	------------------------------------------------------------------------

Issuer name: Sino-Forest Corporation

Insider's Relationship to Issuer: 5 - Senior Officer of Issuer

Ceased to be Insider: Not applicable

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities'
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------

Security designation: Common Shares

A	310084	1895-10-12	2009-06-12	Direct Ownership :	00 - Opening Balance-Initial SEDI Report								
O	310084	1996-03-31	2004-08-27	Direct Ownership :	00 - Opening Balance-Initial SEDI Report								
	310090	2004-08-17	2004-08-27	Direct Ownership :	36 - Conversion or exchange	+2,353,105		2,353,105	2,353,105				
	310093	2004-08-17	2004-08-27	Direct Ownership :	36 - Conversion or exchange	+200,000		2,553,105	2,553,105				
	483660	2005-05-14	2005-05-19	Direct Ownership :	36 - Conversion or exchange	+200,000		2,753,105	2,753,105				
	1401238	2005-06-01	2008-09-27	Direct Ownership :	10 - Acquisition or disposition in the public market	-385,600		2,367,505					
	1304781	2008-10-15	2008-10-24	Direct Ownership :	10 - Acquisition or disposition in the public market	-276,900	9.8067	2,090,605					
	1304792	2008-10-16	2008-10-24	Direct Ownership :	10 - Acquisition or disposition in the public market	-500,200	9.2613	1,590,405					
	1304783	2008-10-17	2008-10-24	Direct Ownership :	10 - Acquisition or disposition in the public market	-552,300	9.8079	1,038,105					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
	1304784	2008-10-20	2008-10-24	Direct Ownership:	10 - Acquisition or disposition in the public market	-473,200	9.6791	564,905					
O	1304787	2008-10-21	2008-10-24	Direct Ownership:	10 - Acquisition or disposition in the public market	-387,400	9.5407						
A	1304787	2008-10-21	2010-05-20	Direct Ownership:	10 - Acquisition or disposition in the public market	-387,400	9.5407						
A	1304787	2008-10-21	2010-05-20	Direct Ownership:	10 - Acquisition or disposition in the public market	-387,400	9.5407	177,505					
	1740579	2010-11-18	2010-11-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-50,000	22.0000	127,505					
	1742660	2010-11-22	2010-11-23	Direct Ownership:	10 - Acquisition or disposition in the public market	-5,000	22.5000	122,505					
	1742661	2010-11-22	2010-11-23	Direct Ownership:	10 - Acquisition or disposition in the public market	-3,000	22.5800	119,505					
	1742662	2010-11-22	2010-11-23	Direct Ownership:	10 - Acquisition or disposition in the public market	-2,000	22.6000	117,505					
	1742664	2010-11-22	2010-11-23	Direct Ownership:	10 - Acquisition or disposition in the public market	-3,100	22.6500	114,405					
	1752281	2010-12-06	2010-12-06	Direct Ownership:	10 - Acquisition or disposition in the public market	-5,000	22.5000	109,405					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
1752286	2010-12-06	2010-12-06	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	22.6000	104,405						

Security designation: Multiple Voting Shares Class B

A	186751	1995-10-12	2009-06-12	Direct Ownership :			2,250,000						
O	186751	1996-03-31	2004-02-11	Direct Ownership :									
	186755	2003-10-17	2004-02-11	Direct Ownership :	36 - Conversion or exchange	-2,250,000		0					

Security designation: Rights (Common Shares)

A	310065	1995-10-12	2009-06-12	Direct Ownership :	00 - Opening Balance-Initial SEDI Report						Common Shares		
O	310065	1996-03-31	2004-08-27	Direct Ownership :	00 - Opening Balance-Initial SEDI Report						Common Shares		
	310077	2004-08-16	2004-08-27	Direct Ownership :	36 - Conversion or exchange	+400,000	400,000	400,000			Common Shares	+400,000	400,000
	310081	2004-08-17	2004-08-27	Direct Ownership :	36 - Conversion or exchange	-200,000	200,000	200,000			Common Shares	-200,000	200,000
	483658	2005-05-14	2005-05-19	Direct Ownership :	36 - Conversion or exchange	-200,000		0	0		Common Shares	-200,000	0

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
----------------	-----------------------------------	------------------------------	----------------------------------------------------------------	--------------------------	-----------------------------------------------	------------------------------------	--------------------	------------------------------------	------------------------------------	------------------------------------------------	------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

Security designation: Rights (Subordinate Voting Shares Class A)

A	310053	1995-10-12	2009-06-12	Direct Ownership:	00 - Opening Balance-Initial SEDI Report						Subordinate Voting Shares Class A		
O	310053	1996-03-31	2004-08-27	Direct Ownership:	00 - Opening Balance-Initial SEDI Report						Subordinate Voting Shares Class A		
	310057	2004-05-07	2004-08-27	Direct Ownership:	56 - Grant of rights	+400,000		400,000	400,000		Subordinate Voting Shares Class A	+400,000	400,000
	310063	2004-08-16	2004-08-27	Direct Ownership:	36 - Conversion or exchange	-400,000		0	0		Subordinate Voting Shares Class A	-400,000	0

Security designation: Subordinate Voting Shares Class A

A	85169	1995-10-12	2009-06-12	Direct Ownership:	00 - Opening Balance-Initial SEDI Report			4,726,205					
O	85169	1996-03-31	2003-09-19	Direct Ownership:	00 - Opening Balance-Initial SEDI Report								
	85173	2003-07-09	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-5,000	2.5000	4,721,205	4,721,205				
	85174	2003-07-09	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-3,000	2.5100	4,718,205	4,718,205				
	85175	2003-07-09	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-7,000	2.5300	4,711,205	4,711,205				

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
85176	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-15,000	2.5600	4,696,205	4,696,205					
85178	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-12,000	2.5700	4,684,205	4,684,205					
85179	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.5800	4,678,205	4,678,205					
85180	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.6100	4,670,205	4,670,205					
85182	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-11,000	2.5200	4,659,205	4,659,205					
85183	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-16,000	2.5300	4,643,205	4,643,205					
85185	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.6300	4,637,205	4,637,205					
85186	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-12,000	2.5400	4,625,205	4,625,205					
85187	2003-07-10	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	2.6500	4,621,205	4,621,205					
85189	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.7100	4,615,205	4,615,205					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
85191	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.7200	4,607,205	4,607,205					
85192	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.7500	4,597,205	4,597,205					
85193	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.6600	4,589,205	4,589,205					
85194	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.6800	4,584,205	4,584,205					
85195	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.7800	4,581,205	4,581,205					
85196	2003-07-11	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-900	2.7800	4,580,305	4,580,305					
85197	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.7600	4,575,305	4,575,305					
85198	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8000	4,570,305	4,570,305					
85199	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.7700	4,560,305	4,560,305					
85200	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.8000	4,554,305	4,554,305					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
85201	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8200	4,549,305	4,549,305					
85203	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.8300	4,546,305	4,546,305					
85204	2003-07-14	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.8500	4,543,305	4,543,305					
85206	2003-07-15	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,500	2.8300	4,540,805	4,540,805					
85208	2003-07-15	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.8400	4,537,805	4,537,805					
85210	2003-07-15	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8600	4,532,805	4,532,805					
85212	2003-07-15	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.8700	4,529,805	4,529,805					
85214	2003-07-15	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,700	2.8800	4,524,105	4,524,105					
85216	2003-07-16	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	2.7900	4,520,105	4,520,105					
85217	2003-07-16	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,400	2.7500	4,514,705	4,514,705					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
85220	2003-07-16	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,500	2.7200	4,505,205	4,503,205					
85221	2003-07-16	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,100	2.7100	4,502,105	4,500,105					
85219	2003-07-17	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,000	2.7400	4,500,105	4,512,705					
85222	2003-07-17	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.6500	4,495,105	4,495,105					
85223	2003-07-18	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-17,000	2.6600	4,478,105	4,478,105					
85224	2003-07-18	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.6000	4,472,105	4,472,105					
85225	2003-07-18	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	2.5600	4,465,105	4,465,105					
85226	2003-07-18	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	2.6700	4,458,105	4,458,105					
85227	2003-07-18	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,000	2.6500	4,449,105	4,449,105					
85228	2003-07-21	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-18,000	2.6500	4,431,105	4,431,105					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number of value of underlying securities!
85229	2003-07-21	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-1,000	2.6600	4,430,105	4,430,105					
85230	2003-07-21	2003-09-19	Direct Ownership:	11 - Acquisition or disposition carried out privately	-11,000	2.6700	4,419,105	4,419,105					
85231	2003-07-21	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-17,500	2.6800	4,401,605	4,401,605					
85232	2003-07-21	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-7,100	2.6900	4,394,505	4,394,505					
85233	2003-07-22	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-6,000	2.6900	4,388,505	4,388,505					
85234	2003-07-22	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-27,000	2.6700	4,361,505	4,361,505					
85235	2003-07-22	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-24,000	2.6600	4,337,505	4,337,505					
85236	2003-07-22	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-8,000	2.7300	4,331,505	4,331,505					
85237	2003-07-22	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-2,000	2.7200	4,329,505	4,329,505					
85238	2003-07-23	2003-09-19	Direct Ownership:	10 - Acquisition or disposition in the public market	-49,000	2.7200	4,280,505	4,280,505					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
85239	2003-07-23	2003-09-19	Direct Ownership :	11 - Acquisition or disposition carried out privately	-5,000	2.7000	4,275,505	4,275,505					
85240	2003-07-23	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	2.6800	4,271,505	4,271,505					
85242	2003-07-24	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,800	2.6500	4,266,705	4,266,705					
85243	2003-07-25	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.6500	4,263,705	4,263,705					
85244	2003-07-25	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.6300	4,255,705	4,255,705					
85246	2003-07-25	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.6200	4,252,705	4,252,705					
85247	2003-07-28	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-12,000	2.6300	4,240,705	4,240,705					
85248	2003-07-28	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.6100	4,234,705	4,234,705					
85249	2003-07-28	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.6000	4,231,705	4,231,705					
O 85250	2003-07-29	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	2.6000		4,227,705					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
A 85250	2003-07-29	2003-10-05	Direct Ownership :	10 - Acquisition or disposition in the public market	-400	2.6000	4,231,305	4,227,705					
85251	2003-07-29	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,200	2.5600	4,226,105	4,222,505					
O 85252	2003-07-29	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,240	2.5500		4,218,265					
A 85252	2003-07-29	2003-10-05	Direct Ownership :	10 - Acquisition or disposition in the public market	-42,400	2.5500	4,183,705	4,218,265					
85253	2003-07-30	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-37,000	2.5600	4,146,705	4,181,265					
85254	2003-07-31	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-57,000	2.6000	4,089,705	4,124,265					
85255	2003-07-31	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.5900	4,079,705	4,114,265					
85256	2003-07-31	2003-09-19	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.6200	4,074,705	4,109,265					
86442	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.7300	4,069,705	4,104,265					
86443	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.6900	4,064,705	4,099,265					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
86445	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	2.8800	4,061,705	4,096,265					
86447	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-29,000	2.6700	4,032,705	4,067,265					
86448	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-21,000	2.8600	4,011,705	4,046,265					
86449	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.6500	4,005,705	4,040,265					
86450	2003-08-01	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.6200	3,999,705	4,034,265					
86451	2003-08-05	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8800	3,994,705	4,029,265					
86452	2003-08-05	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8700	3,889,705	4,024,265					
86453	2003-08-05	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-75,000	2.8500	3,914,705	3,949,265					
86454	2003-08-05	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8600	3,909,705	3,944,265					
86455	2003-08-06	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-800	2.8700	3,908,905	3,943,465					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
86457	2003-08-06	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.8800	3,898,905	3,833,465					
86468	2003-08-08	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-55,000	2.8500	3,843,905	3,878,465					
87388	2003-08-07	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-70,000	2.7800	3,773,905	3,808,465					
87389	2003-08-07	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-25,000	2.8000	3,748,905	3,783,465					
87390	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.7500	3,738,905	3,773,465					
87391	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-30,000	2.8500	3,708,905	3,743,465					
87392	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	2.8000	3,698,905	3,733,465					
87393	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.9600	3,690,905	3,725,465					
87394	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.9000	3,685,905	3,720,465					
87395	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.9200	3,680,905	3,715,465					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87396	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	2.8600	3,675,905	3,710,465					
87397	2003-08-08	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.9100	3,669,905	3,704,465					
87398	2003-08-11	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.9600	3,661,905	3,696,465					
87399	2003-08-12	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	2.9300	3,657,905	3,692,465					
87400	2003-08-12	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	2.9400	3,649,905	3,684,465					
87401	2003-08-12	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-73,000	2.9200	3,576,905	3,611,465					
87402	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	2.9500	3,670,905	3,605,465					
87404	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	2.9800	3,563,905	3,598,465					
87405	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-11,000	3.0300	3,552,905	3,587,465					
87406	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-35,000	3.0500	3,517,905	3,552,465					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87408	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-57,600	3.0600	3,460,305	3,494,865					
87409	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-22,900	3.0700	3,437,405	3,471,965					
87410	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-26,000	3.0800	3,411,405	3,445,965					
87411	2003-08-13	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,500	3.0900	3,409,905	3,444,465					
87412	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-200	3.1000	3,409,705	3,444,265					
87413	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.1200	3,399,705	3,434,265					
87414	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,000	3.0600	3,390,705	3,425,265					
87415	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-16,000	3.0800	3,374,705	3,409,265					
87416	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,100	3.0700	3,372,605	3,407,165					
87417	2003-08-14	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.0500	3,362,605	3,397,165					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87418	2003-08-15	2003-09-22	Direct Ownership :	11 - Acquisition or disposition carried out privately	-5,000	3.0600	3,357,605	3,392,165					
87419	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.0900	3,349,605	3,384,165					
87420	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-22,000	3.1600	3,327,605	3,362,165					
87421	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.1000	3,317,605	3,352,165					
87422	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	3.1100	3,310,605	3,345,165					
87423	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.1200	3,305,605	3,340,165					
87424	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.1300	3,297,605	3,332,165					
87425	2003-08-15	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-38,000	3.1500	3,259,605	3,294,165					
87426	2003-08-18	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.3300	3,249,605	3,284,165					
87427	2003-08-18	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.2800	3,244,605	3,279,165					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87428	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	3.5300	3,241,605	3,276,165					
87429	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,000	3.5800	3,239,605	3,274,165					
87430	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4800	3,234,605	3,269,165					
87431	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.3800	3,224,605	3,259,165					
87432	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	3.5500	3,221,605	3,256,165					
87433	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.4400	3,211,605	3,246,165					
87434	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4100	3,206,605	3,241,165					
87435	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,000	3.5000	3,203,605	3,238,165					
87436	2003-08-19	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4200	3,198,605	3,233,165					
87437	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.5500	3,190,605	3,225,165					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87438	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.6400	3,185,605	3,220,165					
87439	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.7200	3,180,605	3,215,165					
87440	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.7200	3,175,605	3,210,165					
87441	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.8000	3,170,605	3,205,165					
87442	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.6100	3,160,605	3,195,165					
87443	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	3.7600	3,153,605	3,188,165					
87444	2003-08-20	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-12,700	3.7900	3,140,905	3,175,465					
87445	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.9800	3,132,905	3,167,465					
87446	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-6,000	3.8900	3,126,905	3,161,465					
87447	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.7900	3,118,905	3,153,465					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
87448	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	4.0000	3,108,905	3,143,465					
87449	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,000	3.8700	3,099,905	3,134,465					
87451	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,000	3.9500	3,095,905	3,130,465					
87452	2003-08-21	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	3.8200	3,087,905	3,122,465					
86489	2003-08-26	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,800	3.8300	3,088,105	3,876,665					
86460	2003-08-26	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4400	3,081,105	3,871,685					
86461	2003-08-26	2003-09-21	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4500	3,076,105	3,866,665					
87453	2003-08-28	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.5100	3,071,105	3,105,685					
87454	2003-08-28	2003-09-22	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.5200	3,066,105	3,100,665					
95863	2003-09-02	2003-10-05	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4500	3,061,105						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
95884	2003-09-03	2003-10-05	Direct Ownership :	10 - Acquisition or disposition in the public market	-400	3.5200	3,060,705						
90837	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-17,000	3.6000	3,043,705	3,083,665					
90838	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,300	3.8100	3,034,405	3,074,385					
90839	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,200	3.8200	3,026,205	3,066,165					
90840	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.4300	3,021,205	3,061,165					
90841	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-19,000	3.5300	3,002,205	3,042,165					
90842	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,500	3.6500	2,999,705	3,039,665					
90843	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-9,000	3.5000	2,990,705	3,030,665					
90844	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-7,000	3.4800	2,983,705	3,023,665					
90845	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-15,000	3.5600	2,968,705	3,008,665					

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
90846	2003-09-09	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,000	3.6700	2,967,705	3,007,665					
90847	2003-09-10	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-30,000	3.6000	2,937,705	2,977,665					
90848	2003-09-10	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-20,000	3.6500	2,917,705	2,957,665					
90849	2003-09-10	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-20,000	3.6300	2,897,705	2,937,665					
90825	2003-09-11	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-31,900	3.6000	2,865,805	3,068,765					
90826	2003-09-11	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-19,900	3.5060	2,845,905	3,048,865					
90827	2003-09-12	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,800	3.5500	2,844,105	3,047,065					
90830	2003-09-15	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	3.5300	2,839,105	3,042,065					
90831	2003-09-16	2003-09-28	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	3.5300	2,829,105	3,032,065					
186758	2003-10-17	2004-02-11	Direct Ownership :	36 - Conversion or exchange	+2,250,000		5,079,105						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
152358	2003-12-08	2003-12-24	Direct Ownership:	11 - Acquisition or disposition carried out privately	-696,000	3.6800	4,383,105						
186766	2004-01-05	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-80,000	5.4000	4,303,105						
186767	2004-01-05	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-29,200	5.3000	4,273,905						
186768	2004-01-05	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-20,800	5.4256	4,253,105						
186762	2004-01-06	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-13,600	5.1800	4,239,505						
186765	2004-01-06	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-9,000	5.1700	4,230,505						
186770	2004-01-08	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-39,000	5.0200	4,191,505						
186771	2004-01-08	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-38,000	5.0300	4,153,505						
186772	2004-01-08	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-15,000	5.0400	4,138,505						
186773	2004-01-08	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-8,000	5.0000	4,130,505						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
186801	2004-01-08	2004-02-11	Direct Ownership :	11 - Acquisition or disposition carried out privately	-1,500,000	5.0000	2,630,505						
186774	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-12,000	5.0500	2,618,505						
186775	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-8,000	5.0800	2,610,505						
186776	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,500	5.1400	2,608,005						
186777	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-1,500	5.1500	2,608,505						
186778	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-3,600	5.1700	2,602,905						
186779	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-4,400	5.1800	2,598,505						
186780	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	5.2200	2,593,505						
186781	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-29,000	5.2000	2,564,505						
186782	2004-01-09	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-18,500	5.2300	2,548,005						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
186783	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-8,000	5.0500	2,538,005						
186784	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-10,000	5.0600	2,528,005						
186785	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-5,000	5.0700	2,523,005						
186786	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-8,600	5.0800	2,514,405						
186787	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-19,900	5.1100	2,494,505						
186788	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-10,000	5.1200	2,484,505						
186789	2004-01-12	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-2,000	5.1500	2,482,505						
186790	2004-01-13	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-4,200	5.0500	2,478,305						
186792	2004-01-13	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-5,500	5.0300	2,472,805						
186793	2004-01-20	2004-02-11	Direct Ownership:	10 - Acquisition or disposition in the public market	-25,800	5.1000	2,447,005						

Transaction ID	Date of transaction YYYY-MM-DD	Date of filing YYYY-MM-DD	Ownership type (and registered holder, if applicable)	Nature of transaction	Number or value acquired or disposed of	Unit price or exercise price	Closing balance	Insider's calculated balance	Conversion or exercise price	Date of expiry or maturity YYYY-MM-DD	Underlying security designation	Equivalent number or value of underlying securities acquired or disposed of	Closing balance of equivalent number or value of underlying securities
186794	2004-01-20	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-24,000	5.1300	2,423,005						
186795	2004-01-20	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	5.0500	2,418,005						
186796	2004-01-20	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-5,000	5.1600	2,413,005						
186797	2004-01-20	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-17,200	5.1100	2,395,805						
186798	2004-01-20	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-10,000	5.0000	2,385,805						
186799	2004-01-21	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-30,300	5.1500	2,355,505						
186800	2004-01-21	2004-02-11	Direct Ownership :	10 - Acquisition or disposition in the public market	-2,400	5.1800	2,353,105						
310087	2004-08-17	2004-08-27	Direct Ownership :	36 - Conversion or exchange	-2,353,105			0	0				

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST CORPORATION**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**PROCEEDING COMMENCED AT
TORONTO**

**MOTION RECORD
(Motion Returnable April 13, 2012)**

Paliare Roland Rosenberg Rothstein LLP
250 University Avenue
Suite 501
Toronto ON M5H 3E5
Ken Rosenberg / Massimo Starnino
Tel: 416.646.4300 / Fax: 416.646.4301

Koskie Minsky LLP
20 Queen Street West, Suite 900
Toronto, ON M5H 3R3
Kirk Baert / Jonathan Bida
Tel: 416.977.8353 / Fax: 416.977.3316

Siskinds LLP
680 Waterloo Street
London, ON N6A 3V8
A. Dimitri Lascaris / Charles M. Wright
Tel: 519.672.2121 / Fax: 519.672.6065

Lawyers for an Ad Hoc Committee of Purchasers of the Applicant's Securities, including the Representative Plaintiffs in the Ontario Class Action against the Applicant

