not recognize the United States bankruptcy court's jurisdiction. Accordingly, difficulties may arise in administering a United States bankruptcy case involving a Canadian debtor with property located outside of the United States, and any orders or judgments of a bankruptcy court in the United States may not be enforceable outside of the United States.

In addition, because we are incorporated under the laws of Canada, an insolvency proceeding relating to us, even if brought in the United States, would likely involve Canadian bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law or those of other relevant jurisdictions. The rights of the trustee under the Indenture (the "Trustee") and the holders of the Notes to enforce remedies are likely to be significantly impaired by the restructuring provisions of applicable Canadian federal bankruptcy, insolvency and other restructuring legislation if the benefit of such legislation is sought with respect to us. For example, both of the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada) contain provisions enabling "an insolvent person" to obtain a stay of proceeding as against its creditors and others and to prepare and file a proposal for consideration by all or some of its creditors to be voted on by the various classes of its creditors. Such a restructuring proposal, if accepted by the requisite majorities of creditors and if approved by the court, would be binding on persons who may not otherwise be willing to accept it. Moreover, this "proposal" legislation permits, in certain circumstances, the insolvent debtor to retain possession and administration of its property, even though it may be in default under the applicable debt instrument.

The powers of the court under the *Bankruptcy and Insolvency Act* (Canada) and particularly under the *Companies' Creditors Arrangement Act* (Canada) have been exercised broadly to protect a restructuring entity from actions taken by creditors and other parties. Accordingly, it is impossible to predict if payments under the Notes would be made following commencement of or during such a proceeding, whether or when the Trustee and the holders could exercise their rights under the Indenture or whether and to what extent holders of the Notes would be compensated for any delays in payments, if any, of principal and interest. Furthermore, the Subsidiary Guarantors are incorporated in Hong Kong, the British Virgin Islands or the Cayman Islands and the insolvency laws of these jurisdictions may also differ significantly from the laws of Canada, the United States or other jurisdictions with which the holders of the Notes are familiar.

The increase in the conversion rate applicable to Notes that holders convert in connection with a make-whole fundamental change may not adequately compensate you for the lost option time value of your Notes that results from the relevant make-whole fundamental change

If a make-whole fundamental change occurs, we will, under certain circumstances, increase the conversion rate applicable to holders who convert their Notes within a specified time frame. The amount of the increase in the conversion rate depends on the date when the relevant transaction resulting in the make-whole fundamental change becomes effective and the stock price paid, or deemed to be paid, per Common Share in the relevant make-whole fundamental change, as described in this Offering Memorandum. See "Description of the Notes—Make-Whole Premium Upon a Make-Whole Fundamental Change." Although the increase in the conversion rate is designed to compensate you for the lost option time value of your Notes as a result of the relevant make-whole fundamental change, the increase in the conversion rate is only an approximation of the lost value and may not adequately compensate you for the loss. In addition, you will not be entitled to an increased conversion rate if the applicable stock price is greater than US$60.00 per Common Share or less than US$15.97 per Common Share (in each case, subject to adjustment). Our obligation to increase the conversion rate as described above also could be considered a penalty, in which case its enforceability would be subject to general principles of reasonableness of equitable remedies.

In particular, the Syndicated Term Loan, the 2011 Indenture (as defined below) and the 2014 Indenture (as defined below) include restrictive covenants limiting our ability to incur additional debt. Such debt covenants in the Syndicated Term Loan, the 2011 Indenture and the 2014 Indenture proscribe us from incurring new debt, except under certain circumstances, unless we meet a specified financial ratio. Further, the 2013 Indenture (as defined below) provides, in certain cases, restrictions against some of our subsidiaries providing additional guarantees. See "Description of Other Indebtedness."

In the future, we may from time to time incur substantial additional indebtedness. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow should be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, certain of our financing arrangements impose operating and financial restrictions on our business. These provisions require us to, among other things, maintain a debt to equity ratio, an indebtedness to total asset ratio, a gearing ratio, an interest coverage ratio, a debt to EBITDA ratio, a capital asset coverage ratio, an EBIT to interest expense ratio, a current ratio, and a debt to timber holdings ratio, above certain specified levels. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios. These provisions may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, significantly increase research and development expenditures, or withstand a continuing or future downturn in our business. Any of these could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause payment of our debt to be accelerated

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Notes, or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

You may be unable to enforce your rights under the bankruptcy laws of the United States or other relevant jurisdictions

We are incorporated under the laws of Canada and our principal assets are located in the PRC. Under bankruptcy laws in the United States, courts typically have jurisdiction over a debtor's property, wherever located, including property situated in other countries. However, courts outside of the United States may prevailing PRC Income Tax Laws, there is a 10% withholding tax imposed on dividend payments received by foreign investors in our PRC Subsidiaries. If the foreign investor is a Hong Kong resident and is the beneficial owner of the dividend, such withholding tax rate may be lowered to 5% pursuant to a double tax treaty between Hong Kong and the PRC.

In practice, our PRC Subsidiaries may declare dividends once a year at the end of each financial year. Certain of our operations in the PRC are conducted through WFOEs. Under their articles of association adopted in accordance with PRC regulations, the WFOEs are only allowed to declare dividends once a year although such dividends may be distributed multiple times each year. As a result of such limitations, there could be timing limitations on payments from our PRC Subsidiaries to meet our payment obligations under the Notes and there could be restrictions on payments required to pay off the Notes at maturity or upon conversion or for repurchase or redemption. Furthermore, in practice, the market interest rate that our PRC Subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. Our PRC Subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident if it is the beneficial owner of the interest) withholding tax as well as a 5% business tax on our behalf on the interest paid under any shareholders' loans. Prior to payment of interest and principal on such shareholder loan, the PRC Subsidiaries must present evidence of payment of the required withholding tax on the interest payable under any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, there can be no assurance that we will have sufficient cash flow from dividends or payments on inter-company loans or advances from our subsidiaries to satisfy our obligations under the Notes or make dividend payments, if any, on the Conversion Shares.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which may adversely affect our financial health and ability to generate sufficient cash to satisfy our outstanding and future debt obligations

We have now and will continue to have after the offering of the Notes a substantial amount of indebtedness. On an adjusted basis, after giving effect to the offering of the Notes and the prepayment of the Syndicated Term Loan, as of September 30, 2009 our total debt was approximately US$1,028.3 million. We may also issue an additional US$187.7 million in principal amount of New 2014 Senior Notes. See "Recent Developments—Mandra Acquisition and Issuance of New 2014 Senior Notes."

Our substantial indebtedness could have important consequences. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- limit our ability to make dividends or other distributions to our shareholders;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the forestry industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; or
- increase the cost of additional financing.

- restrict our ability to pledge our assets or those of our subsidiaries; or
- restrict our ability to make investments or to pay dividends or make other payments in respect of our Common Shares or other securities ranking junior to the Notes.

Furthermore, the Indenture contains only limited protections in the event of a change in control. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, which could substantially affect our capital structure and the value of the Notes and our Common Shares but may not constitute a "fundamental change" that requires us to offer to each holder to repurchase its Notes at its option. For these reasons, you should not consider the covenants in the Indenture or the repurchase features of the Notes as a significant factor in evaluating whether to invest in the Notes.

Our ability to pay dividends to our shareholders is subject to restrictive covenants under the 2011 Indenture, the 2014 Indenture and the Syndicated Term Loan

The indentures pertaining to the 2011 Senior Notes and the 2014 Senior Notes contain restrictive covenants limiting our ability and the ability of our subsidiaries to make certain restricted payments, including dividends. Such covenants in the indentures relating to the 2011 Senior Notes and 2014 Senior Notes prevent us and our subsidiaries from making dividend payments, except under certain circumstances, unless our restricted payments under the indentures (including such dividends) shall not exceed a certain threshold based on financial aggregates such as our consolidated net income, net cash proceeds from asset sales or issuance or sale of equity securities, and net reductions in our consolidated investments due, among other things, to specific payments by us or certain of our subsidiaries. Similar restrictions on payment of dividends are contained in our Syndicated Term Loan. If you convert all or part of your Notes into our Common Shares, no assurance can be given that we will be able to make dividend payments under these covenants should we ever decide to do so in the future. See "—We have substantial indebtedness and may incur substantial additional indebtedness in the future, which may adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations" and "Description of Other Indebtedness."

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of inter-company loans or advances to us and our subsidiaries

As a holding company, we depend upon the receipt of dividends and the repayment of intercompany loans or advances from our subsidiaries and affiliates, including our PRC Subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our direct and indirect subsidiaries to pay dividends and repay intercompany loans or advances to their shareholders (including us) is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in debt instruments of such subsidiaries. Covenants in the debt instruments of certain of our direct and indirect subsidiaries limit their ability to pay dividends. See "—We have substantial indebtedness and may incur substantial additional indebtedness in the future, which may adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations." In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which could restrict our ability to meet our payment obligations under the Notes. Our ability to utilize cash resources we have from our subsidiaries to finance the needs of other subsidiaries, to a significant extent, is subject to the same restrictions.

In addition, PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our subsidiaries in the PRC are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends. Furthermore, under subordinated to all existing and future obligations of the Initial Non-Guarantor Subsidiary and our current or future PRC Subsidiaries and our future subsidiaries organized under the laws of other jurisdictions that would not allow them to provide such guarantee (collectively, the "Non-Guarantor Subsidiaries") and (ii) all claims of creditors of our Non-Guarantor Subsidiaries, including trade creditors, lenders and all other creditors, and rights of holders of preferred shares of such entities (if any) will have priority as to the assets of such entities over claims of ours or the Subsidiary Guarantors and those of creditors of ours or the Subsidiary Guarantors, including the holders of the Notes. Secured creditors of us or any Subsidiary Guarantor would have priority as to our assets or the assets of the Subsidiary Guarantors securing the related obligations over claims of any holder of a Note in relation to the Notes. See "—The Notes are not secured by pledges of the capital stock of the Subsidiary Guarantors or the Initial Non-Guarantor Subsidiary while certain of our significant obligations are so secured." We and our subsidiaries may incur significant additional secured or unsecured indebtedness in the future. As of September 30, 2009, our PRC Subsidiaries had total borrowings of approximately US$46.5 million and capital commitments of approximately US$10.4 million with third parties.

The Notes are not secured by pledges of the capital stock of the Subsidiary Guarantors or the Initial Non-Guarantor Subsidiary while certain of our other significant obligations are so secured

All the capital stock of the Subsidiary Guarantors has been pledged to secure the 2011 Senior Notes, the 2014 Senior Notes and the Syndicated Term Loan, and in the case of the 2011 Senior Notes and the Syndicated Term Loan, the capital stock of the Initial Non-Guarantor Subsidiary has been pledged as well. Accordingly, these other obligations will rank ahead of the Notes with respect to the capital stock of the Subsidiary Guarantors and the Initial Non-Guarantor Subsidiary pledged, as the case may be. The Subsidiary Guarantors have also provided guarantees for the Notes, the 2011 Senior Notes, the 2014 Senior Notes, the 2013 Convertible Senior Notes and the Syndicated Term Loan on a pari passu basis and, therefore, each of the holders of the Notes, the 2011 Senior Notes, the 2014 Senior Notes, the 2013 Convertible Senior Notes and the lenders of the Syndicated Term Loan should have the same direct claim against any Subsidiary Guarantor, including those Subsidiary Guarantors that own the shares of the PRC Subsidiaries that have not been pledged to secure the 2011 Senior Notes, the 2014 Senior Notes, or the Syndicated Term Loan. However, there is no assurance that the 2011 Senior Notes, the 2014 Senior Notes and the Syndicated Term Loan would not effectively rank senior to the Notes with respect to the other assets held by any Subsidiary Guarantor, including the shares of our PRC Subsidiaries and the Initial Non-Guarantor Subsidiary, because the holders of the Notes do not have the benefit of such share pledges and any Subsidiary Guarantee may be voided or subordinated to other claims or held to be unenforceable in judicial or other proceedings. See "—Risks Related to the Subsidiary Guarantees—The Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees."

We have made only limited covenants in the Indenture, and these limited covenants may not protect your investment

The Indenture does not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the Notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- limit our subsidiaries' ability to incur indebtedness that would effectively rank senior to the Notes;
- restrict our subsidiaries' ability to issue securities that would be senior to the common shares of our subsidiaries held by us;
- restrict our ability to repurchase our securities;

having such plantation rights (the "Plantation Rights Certificates"). In April 2000, the PRC State Forestry Administration issued a notice, which provided that a new form of Plantation Rights Certificate was to be used from the date of the notice. The PRC government is in the process of gradually implementing the issuance of the new form of certificates on a nationwide scale. However, the registration and issuance of the new form plantation rights certificates by the PRC State Forestry Administration have not been fully implemented in a timely manner in certain parts of the PRC. 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.

We can give no assurance when the official Plantation Rights Certificates will be issued by the relevant local PRC governments to all the purchased plantations and planted plantations acquired and under our management and cultivation. Until official new form Plantation Rights Certificates are issued, there can be no assurance that our rights to our tree plantations will not be subject to dispute or challenge. If such certificates are not issued, or are not issued in a timely manner, or if our rights to any of our tree plantation lands are subject to dispute or challenge, our business, financial condition and results of operations could be materially adversely affected.

Agricultural Taxes and Other Related Forestry Fees

Prior to February 2006, agricultural taxes on forestry companies were levied by the PRC government and generally amounted to approximately 8% of the selling prices or government standardized prices, depending upon the entity and the province in which it operates. The agricultural taxes and other forestry-related fees are levied at the time trees are harvested or sold. In certain provinces where our tree plantations are located, the agricultural taxes have been exempted or reduced. On February 17, 2006, the agricultural taxes were abolished by the PRC State Council. The forestry-related fees include the reforestation fund and maintenance fees, which are generally charged at 10% to 20% of sales and, under a new rule effective from July 1, 2009, the reforestation fund shall be charged at no more than 10% of sales, but the fees actually charged vary from place to place. There is also a forest protection fee of RMB5 per cubic meter of wood harvested. No assurance can be given that other forestry-related tax will not be levied and such forestry-related fees will not be increased in the future. According to a notice issued by the Ministry of Finance, the National Development and Reform Commission and the State Forestry Administration on August 4, 2003, the forestry protection fee has been cancelled. However, the cancellation of the forestry protection fee has not yet been fully implemented in the provinces where our tree plantations are located.

Risks Related to the Notes and Our Common Shares

We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of certain of our subsidiaries

We are primarily a holding company that operates through subsidiaries. The Notes are guaranteed by the Subsidiary Guarantors, which are also primarily holding companies that operate through subsidiaries. However, the Notes will not be guaranteed at their issuance date by the Initial Non-Guarantor Subsidiary, specifically Sino-Capital Global Inc. (BVI), which is a subsidiary that has guaranteed the 2011 Senior Notes with an aggregate outstanding principal amount of US$87.7 million and the Syndicated Term Loan with an aggregate outstanding principal amount of US$150 million. See "Description of Other Indebtedness." The Initial Non-Guarantor Subsidiary has significant assets. In addition, the Notes will not be guaranteed by any of our current or future subsidiaries organized under the laws of the PRC ("PRC Subsidiaries") and future subsidiaries organized under the laws of other jurisdictions that would not allow them to provide such guarantee, which are our operating subsidiaries. As a result, (i) our obligations under the Notes and the obligations of the Subsidiary Guarantors under the Subsidiary Guarantees will be effectively

Operational licenses and permits

Currently, PRC laws and regulations require tree plantation companies to obtain licenses and permits to operate tree plantations, harvest logs on the tree plantations and transport the logs out of the forest areas. The tree plantation companies must apply to the relevant Administration for Industry and Commerce of the PRC for the business license, and must apply to the local forestry bureaus for the logging permits and transportation permits for plantations that are to be harvested. We currently have the relevant business licenses for our subsidiary companies in the PRC to engage in forestry activities and have received the requisite logging permits and transportation permits for our completed logging and transportation activities. In this regard, the PRC State Council reviews and approves the annual logging quota every five years. This annual logging quota is allocated by the local forestry bureaus within their administrative regions. For foreign invested plantations, the logging quota is allocated separately by the provincial forestry department within the annual logging quota approved by the PRC State Council. There is no assurance that we will continue to maintain the business licenses and obtain the relevant permits for our future logging and transportation activities, or that the PRC government will not enact laws and regulations that would add requirements for tree plantation companies to conduct these activities in the PRC.

Further, PRC laws and regulations require manufacturers to obtain licenses and permits to operate timber manufacturing plants. The timber manufacturing companies must apply to the relevant Administration for Industry and Commerce of the PRC for a business license, and those established in the forestry areas must apply for the Timber Operation (Processing) Permit required by the relevant forestry regulatory authorities in the PRC. We currently have the requisite business licenses for our subsidiary companies in the PRC to engage in timber manufacturing activities. However, there is no assurance that we will continue to maintain the business licenses or the Timber Operation (Processing) Permits for our manufacturing plants, or that the PRC government will not pass laws and regulations that would place additional requirements on companies conducting these activities in the PRC.

Environmental regulations

Laws and regulations protecting the environment have generally become stricter in the PRC in recent years and could become more stringent in the future. On December 26, 1989, the Standing Committee of the National People's Congress of the PRC adopted the Environmental Protection Law of the PRC. This law contains, and future legislation with respect to protection of the environment, whether relating to forests, protected animal species, or water conservation, could contain, restrictions on tree planting, timber harvesting, and other forest practices. Our tree plantations and manufacturing plants will also be subject to environmental laws and regulations, particularly with respect to air emissions and discharges of wastewater and other pollutants into land, water and air, and the use, disposal and remediation of hazardous substances and contaminants. We may be required to incur significant expenditures to comply with applicable environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which we are subject in our tree plantations and manufacturing plants could become more stringent in the future, which could affect our production costs and results of operations. For example, international standards in wood-based products manufacturing currently require that wood panels satisfy specified maximum levels of formaldehyde emissions, as well as providing for other environmental protection measures. Any failure by us to comply with applicable environmental laws and regulations could result in civil or criminal fines or penalties or enforcement actions, including a requirement to install pollution control equipment or other mandated actions. As a result, environmental laws and regulations may adversely affect our business, financial condition and results of operations.

Implementation and Issuance of new form Plantation Rights Certificate

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership and use rights and of issuing certificates to the persons

Restrictions on foreign currency exchange may limit our ability to obtain foreign currency or to utilize our revenue effectively

We receive most of our revenues in Renminbi. As a result, any restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to:

- purchase timber imported from other countries;
- fund other business activities outside the PRC, such as the purchase of equipment for our manufacturing plants;
- service and repay our indebtedness, including but not limited to the 2011 Senior Notes, the 2014 Senior Notes and the 2013 Convertible Senior Notes; and
- pay out dividends to our shareholders.

Our subsidiaries in the PRC do not require prior approval from the State Administration for Foreign Exchange ("SAFE") before undertaking current account foreign exchange transactions. Current account transactions refer to those international revenue and expenditure dealings that occur on a current basis, including revenues and expenditures in trade and labour services, and the declaration of and payment of dividends out of after tax retained earnings. Foreign exchange for current account transactions may be obtained by producing commercial documents evidencing such transactions, provided that the transactions must be processed through banks in the PRC licensed to engage in foreign exchange.

Foreign exchange transactions under the capital account, however, will be subject to the registration requirements and approval of SAFE. Capital account transactions refer to international revenues and expenditures, that, being inflows and outflows of capital, produce increases or reductions in debt and equity, including direct investment, various types of borrowings and investment in securities. In addition, for either current or capital account transactions, our WFOEs must purchase foreign currency from one of the PRC banks licensed to conduct foreign exchange.

We cannot assure that sufficient amounts of foreign currency will always be available to enable us to meet our foreign currency obligations, whether to service or repay indebtedness not denominated in Renminbi, including the Notes, the 2011 Senior Notes, the 2014 Senior Notes and the 2013 Convertible Senior Notes, or to remit profits out of the PRC. In addition, our subsidiaries incorporated in the PRC may not be able to obtain sufficient foreign currency to pay us dividends, repay intercompany loans or to satisfy their other foreign currency requirements. Our capital is subject to PRC foreign currency exchange controls which may limit the ability to repatriate funds. As at September 30, 2009, we had retained earnings of US$943.2 million in the PRC which may be restricted. Since foreign exchange transactions under the capital account are still subject to limitations and require approval from SAFE, this could affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us. We also cannot provide assurance that the PRC government will not impose further restrictions on the convertibility of the Renminbi.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries

A significant portion of our investments are in the form of WFOEs established in the PRC, which are subject to PRC laws and regulations applicable to foreign investment companies, and other applicable laws and regulations in the PRC. These laws and regulations may not afford investors the same legal protections available to them in the United States, Canada or elsewhere, and may be less developed than those applicable to companies incorporated in the United States, Canada and other developed countries or regions.

assurance that these measures will be successful. If the PRC economy continues to grow at a slower rate, or experiences a recession, and growth in demand for forestry products also continues to slow down or decrease, our business, financial condition and results of operations would be adversely affected.

Our operations are subject to the uncertainty of the PRC legal system

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, interpretation of many laws, regulations and rules has not always been uniform, and enforcement of these laws and regulations involve significant uncertainties, which may limit or otherwise adversely affect legal protections available to us. Moreover, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of any violation by it of these policies or rules until some time after such violation. In addition, litigation in the PRC may be protracted and may result in substantial costs and diversion of resources and management attention. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This may result in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction.

At present, the legal framework for the tree plantation industry in the PRC is at an early stage of development. For example, the laws and regulations relating to the ownership, licensing and rights over forestry areas are not well developed. Because these laws and regulations may not be comprehensive, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Such uncertainty may make it difficult for us to enforce our plantation land use rights and other rights. As the PRC legal system develops together with the PRC forestry industry, we cannot be certain that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on our business, financial condition and results of operations.

The reform of the collectively owned plantation rights system has been ongoing in the PRC in recent years in order to enhance the rural land contract relationship and ensure that farmers have proper legal plantation rights. Farmers and rural collective organizations are currently permitted to transfer their plantation rights to third parties pursuant to existing PRC laws and regulations by means of bidding, public auction or competitive negotiation, as recognized by certain local practices. We cannot assure that the PRC government will not promulgate new rules and regulations that may be more detailed and complex than existing ones for regulating the transfer of plantation rights. Such rules may restrict or delay the acquisition of any new plantation rights from original plantation rights holders. Moreover, we cannot assure that the enforcement of such rules and regulations will not have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the PRC

PRC economic, political and social conditions as well as government policies could adversely affect our business

All of our tree plantations are located in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including structure, government involvement, level of development, economic growth rate, government control of foreign exchange, allocation of resources and balance of payment position.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. Some of these measures will benefit the overall PRC economy, but may have a negative effect on us.

Our business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies affecting the forestry industry and downstream industries;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad; and
- reduction in tariff protection and other import restrictions.

In addition, the level of demand in the PRC for forestry products depends heavily on economic growth. According to the National Bureau of Statistics of China, between 1994 and 2008, the PRC's GDP, based on current prices, increased from approximately RMB4.88 billion to approximately RMB30.1 trillion. The annual per capita GDP, based on current prices, also rose between 1994 and 2007, from RMB4,044 to RMB18,934. This growth, however, has been uneven both geographically and among various sectors of the economy. From time to time, the central government of the PRC has taken corrective measures and actions to stabilize the country's economy and any possible social unrest, and has implemented various measures in strengthening and improving macroeconomic regulation. We cannot assure that such growth will be sustained in the future.

More recently, the global financial system has experienced significant difficulties and disruptions since the second half of 2007, leading to reduced liquidity, greater volatility, widening credit spreads and a lack of price transparency in the United States and global credit and financial markets. The difficulties in global credit and financial markets have also resulted in widening global economic downturn. There are indications that the current financial crisis and economic downturn may persist or worsen. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries with which the PRC has significant trade relationships may adversely affect economic growth in the PRC. There are indications that economic growth in the PRC has already started to slow significantly with GDP growth for the PRC declining from 13% in 2007 to 9% in 2008. In particular, demand may decrease or slow for wood fibre and wood products from our downstream customers in the PRC real estate, construction and interior decoration industries, as well as overseas demand for exports of Chinese-made wood furniture. Such a decrease and/or slowdown in demand for wood and wood products could in turn put downward pressure on log prices in the PRC.

While various governments, including that of the PRC, have announced efforts to increase liquidity in the financial markets and stimulus packages to slow or reverse the economic downturn, there can be no

Any outbreak of severe communicable diseases may materially affect our operations and business

An outbreak of influenza A (H1N1), a communicable disease that is potentially lethal, or other contagious diseases such as severe acute respiratory syndrome or avian flu, may potentially result in a quarantine of infected employees and related persons, and if uncontrolled, may affect our operations at one or more of our facilities. We cannot predict at this time the impact that the current or any future outbreak could have on our business and results of operations.

We may not complete the concurrent Equity Offering, which may require us to obtain alternative sources of funding in the future and may increase our indebtedness levels relative to our equity

We are conducting the Equity Offering to raise gross proceeds of approximately US$302,415,917 (or US$347,778,312 if the over-allotment option is exercised in full) concurrently with this offering of Notes. The Canadian dollar proceeds of the Equity Offering have been translated into U.S. dollars solely for the convenience of the reader using the Noon Buying Rate provided by the Federal Reserve Bank of New York on December 7, 2009 of Cdn.$1.0555 to US$1.00. We expect that the Equity Offering will be completed on or about the same date as this offering of Notes. We intend to use the aggregate net proceeds of this offering of the Notes and the Equity Offering as described under "Use of Proceeds."

The completion of this offering of Notes is not conditioned upon the completion of the Equity Offering. As a result, if the Equity Offering is not completed, we may complete the offering of Notes and use the net proceeds as described under "Use of Proceeds." However, if the Equity Offering is not completed, we may need to obtain alternative sources of funding in the future. There can be no assurance that we will be able to obtain such financing on terms acceptable to us, or at all. If we are not able to obtain such financing, it may have an adverse effect on our future growth plans and prospects.

In addition, if we complete this offering of Notes without completing the Equity Offering, it would cause the level of our indebtedness to be greater, relative to our outstanding equity, than if we had completed our Equity Offering. This increase in our relative level of leverage could have an adverse effect on our financial health. See "—We have substantial indebtedness and may incur substantial additional indebtedness in the future, which may adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations."

The Pöyry Reports are subject to significant assumptions and limitations and actual values realized by us may differ

We engaged Pöyry to prepare a report and provide its opinion on the value of our plantation forest crop assets as at December 31, 2007 and December 31, 2008, and the Pöyry Reports are incorporated by reference in this Offering Memorandum. The Pöyry Reports contain a discussion of the principal assumptions, limitations and other considerations utilized in their preparation, which prospective investors should review carefully, including, without limitation, that Pöyry assumes that the forests visited by Pöyry in the field inspection represent the full range of conditions that exist for the species seen, that for species not assessed as part of the valuation, Pöyry has applied yield estimates that it has previously derived and that Pöyry made assumptions with respect to future costs and market prices.

As a result of the foregoing and other limitations to the Pöyry Reports, actual conditions of our forestry plantations may be substantially different than those set forth in the Pöyry Reports, and, as a result, you should not place undue reliance on the reports. Accordingly, the valuations set forth in the Pöyry Reports are not necessarily indicative of the actual values that can be realized by us. If actual values realized by us are less favourable than those shown in the Pöyry Reports or the assumptions used in deriving the valuation included in the Pöyry Reports prove to be incorrect, our business, financial condition or results of operation could be adversely affected.

at 0.05% per day on the tax amount overdue while the tax penalties can range from 50% to 500% of taxes underpaid. Under the Hong Kong tax regulations, assessments are open for up to six years in practice and tax penalties can be up to treble amount of the tax underpaid.

Significant estimates and judgment are applied by management to determine the appropriate amount of tax related liabilities and contingencies for tax related liabilities to be recognized and disclosed in the financial statements respectively. Changes in the amount of the estimates could materially increase or decrease the provision for tax related liabilities and the extent of disclosures of contingencies for tax related liabilities in a period.

Increases in the export tax on logs in Russia may result in decreased demand for logs imported from Russia

The Russian government significantly increased the export tariffs on logs from 6.5% in early 2007 to 20% and 25% in July 2007 and April 2008, respectively. The increases had an impact on our revenue from sales of imported wood products, which decreased by 7.3% in the year ended December 31, 2008 compared to the year ended December 31, 2007. If the Russian government continues to increase export tariffs, taxes levied will be passed on to our customers, and we anticipate that demand for logs that we import from Russia will continue to decrease as a result of increased prices, which could have a material adverse effect on our results of operations from our imported logs business.

We will be obliged to adopt new accounting standards under IFRS for the years beginning on or after January 1, 2011, which could materially impact our financial statements

We prepare our financial statements in accordance with Canadian GAAP. All companies that are Canadian reporting issuers will have to use the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board for their financial reporting for the years beginning on or after January 1, 2011. As such issuers are required to produce comparative consolidated financial statements, the transition to IFRS will have to be reflected in their balance sheets as at January 1, 2010, in order to provide comparable balance sheet, income statement and statement of cash flows data for financial years 2011 and 2010. Applying these standards to our financial statements may have a considerable impact on a number of important areas. The preparation of our financial statements in accordance with IFRS could result in significantly different results from those obtained from financial statements prepared in accordance with Canadian GAAP. In particular, the valuation of our assets, especially our plantations, may be substantially affected by the application of IFRS to our financial statements.

Our tree plantations and wood-based products trading activities are subject to extensive PRC laws and regulations

We are subject to regulation under a variety of PRC national and local laws and regulations, including, among others, the PRC Forestry Law and its Implementation Regulations, the Forest Tree and Forestry Land Ownership and Use Rights Registration Administrative Measures, the Environmental Protection Law of the PRC and the Administrative Measures on Foreign Investment Forestation of Guangdong Province. Violations of any of the wide range of PRC laws and regulations that we may be subject to, including PRC environmental policies and programs that apply to our tree plantations, could result in civil and criminal penalties, including the revocation of licenses required for our business. We engage in the following activities that are subject to regulation:

- tree plantation activities, including planting, plantation use and maintenance, logging and transportation of logs;
- marketing, sale and trading of standing timber, logs and wood-based products; and
- timber processing and manufacturing and sale of wood panels.

For further details on these regulations and risks relating to them, see "—Risks Related to the PRC."

amounts that we consider to be appropriate for such risks. Such insurance is subject to deductibles that we consider reasonable and not excessive given the current insurance market environment. The occurrence of a loss at our manufacturing facilities that we are not fully insured or indemnified against, or the failure of a party to meet our indemnification obligations, could materially and adversely affect our business, financial condition and results of operations.

Our manufacturing plants are subject to operational risks for which we may not be adequately insured

The operation of manufacturing plants involves many risks and hazards, including the breakdown, failure or substandard performance of equipment, the improper installation or operation of equipment, labor disturbances, natural disasters, environmental hazards, and industrial accidents. In addition, the costs of repairing or replacing our production equipment and the associated downtime of the affected production line may not be totally reimbursed, or the level of insurance may not be adequate. The occurrence of material operational problems could have a material adverse effect on our business, financial condition and results of operations.

We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts that we have estimated and for which we have provisioned

Our principal operating subsidiaries incorporated in the British Virgin Islands (the "BVI Subsidiaries") are engaged in the sale of standing timber and earning income ("Authorized Sales Activities") in the PRC through AIs that are domestic enterprises of the PRC. In accordance with the PRC laws and regulations relating to PRC enterprise income tax, foreign companies such as the BVI Subsidiaries, deriving income from sources in the PRC, are subject to enterprise income tax. This also applied to income and commission revenue that the BVI Subsidiaries received from the sale of wood chips in prior years. The wood chips and commission operations were discontinued in 2007.

Under the terms of the master agreements, relevant sales and purchase contracts and commission agreements ("AI Agreements") made with the AI, the AI are responsible for remitting relevant PRC taxes that arise from the Authorized Sales Activities. It is a question of fact whether the PRC tax authorities may be successful in establishing that the BVI Subsidiaries are subject to enterprise income tax due to the Authorized Sales Activities. Management has concluded that based upon all available evidence it is appropriate to record in the accounts a reserve for tax benefits representing management's estimate, based upon cumulative probabilities, of the amount the PRC tax authorities might seek to recover.

Included in accounts payable and accrued liabilities including discontinued operations as at September 30, 2009 is the balance of the tax provision for the tax related contingency amounting to US$113,024,000 (compared to US$89,909,000 as at December 31, 2008) provided on the profits of the Authorized Sales Activities earned by the BVI Subsidiaries for the nine-month period ended September 30, 2009 and the years ended December 31, 2005, 2006, 2007 and 2008.

The provision for income taxes and tax related liabilities and whether tax filings are required is subject to a number of different factors, estimates and judgments made by management. A change in the facts and these estimates and judgment could have a material impact on our tax expense. We have operations in various countries (mainly in the PRC, Canada and Hong Kong) that have different tax laws and rates and are subject to audit by all relevant tax authorities. The effective tax rate may change from year to year based on the mix of income among the different tax jurisdictions in which we operate, changes in tax laws in these jurisdictions, and changes in tax treaties between various tax jurisdictions in which we operate. It is possible that profits already taxed by one tax jurisdiction could be taxed by another tax jurisdiction or multiple jurisdictions. Should the PRC tax authorities recover income tax, business tax and value-added tax directly from the BVI Subsidiaries, they might do so together with related tax surcharges and tax penalties on applicable income or profits of the Authorized Sales Activities from the BVI Subsidiaries for up to a period from three to five years in practice. Under prevailing PRC tax rules, the tax surcharge is calculated

Our manufacturing plants are in an early stage of development and have a short operating history. The manufacturing plants may not be profitable or successful

Our manufacturing plants are subject to the risks inherent in establishing a new business, including competitive pressures. Our ability to conduct and expand our manufacturing plants will depend upon our ability to, among other things:

- produce and develop high quality wood-based products that will be acceptable to customers;
- recruit and retain technical and management personnel with requisite expertise and experience in the wood-based products manufacturing industry; and
- raise working capital and fund capital expenditures for the expansion of the manufacturing plants.

We can give no assurance that these facilities will operate at their planned operating capacity.

Our ability to develop and operate investments with state-owned plantation entities in the PRC is subject to various factors and uncertainties, and no assurance can be given that we will actually develop and operate such entities successfully or at all or without significant delays

We are currently exploring opportunities to fund forestry investments in the PRC in cooperation with SOPs. We anticipate making such investments into Co-op Entities. The purpose of these investments would be to develop the economic value of state-owned plantation farms by investing in advanced breeding, planting and silviculture technology and introducing modern plantation management know-how and practices to the Co-op Entities. The Co-op Entities are expected to have approximately 120,000 hectares of plantation trees under management. We have currently allocated a significant portion of the proceeds of this offering of Notes and the Equity Offering to fund any investments we make in such entities.

However, we do not currently have agreements in place with respect to the structure or timing of any such investments. Our ability to successfully fund, develop and operate these forestry investments in cooperation with SOPs depends on various factors and uncertainties, including the time required for the PRC government to formalize a forestry commercialization policy, our limited operating history with SOPs, implementing a capital and ownership structure for the investments with the SOPs that permits us to exercise the requisite level of control and oversight, availability of additional debt or equity funding as necessary on acceptable terms to effect these investments, and receipt of requisite government approvals. We have not previously entered into such arrangements with SOPs, and there can be no assurance that we will actually develop and operate such entities successfully or at all or without significant delays.

Our insurance coverage may be insufficient to cover losses

Consistent with PRC forestry industry practice, we have a policy of obtaining external insurance coverage for key insurable risks relating to our tree plantations and the operation of our manufacturing facilities. As a general matter, most of our insurance policies include a coverage limit that applies either per claim or per claim and per year, in particular for the purchased plantations. See "Business—Insurance."

We insure our planted and purchased plantations in various locations in the PRC against certain accident and disaster related losses such as fires, lightning, explosion, flooding and windstorm. We do not, however, insure our plantations against losses from all natural and other disasters, such as pest and disease, and we do not carry business interruption insurance. As a result, our insurance coverage may be insufficient to cover losses that we may incur on our tree plantations. If we were to suffer an uninsured loss or a loss in excess of our insurance coverage to the tree plantations, our business, financial condition and results of operations could be materially and adversely affected. We also maintain property all risk and public liability insurance policies for our manufacturing facilities. We maintain a level of fire insurance in

Disruptions in our supply of raw timber could adversely affect our business, financial condition and results of operations

A few large suppliers account for a significant percentage of our timber supply. For the years ended December 31, 2006, 2007, 2008 and the nine-month period ended September 30, 2009, our five largest timber suppliers accounted for approximately 44.2%, 54.8%, 45.5% and 61.0%, respectively, of our total costs of sales. For the same periods, our largest supplier of timber accounted for approximately 12.6%, 32.2%, 16.5% and 20.6%, respectively, of our total costs of sales. These major suppliers are all wood dealers and our AIs. We have not entered into any long-term supply contract for the supply of raw timber. Dependence on a limited number of suppliers exposes us to the risk that any significant interruption in the supply of raw timber could have a material adverse effect on our business, financial condition and results of operations.

We depend on services provided by third party service providers

We rely to a significant extent on third party service providers for day-to-day operation of our tree plantations. The operations performed by third party service providers include: site preparation, planting, plantation management, fertilization and harvesting. We occasionally experience seasonal labor shortages in May and September as farmers become fully engaged in the planting and harvesting of rice. If we are unable to obtain services from these third party service providers, at economical rates or at all, or if any of the services they provide are inadequately performed, our business, financial condition and results of operations would be materially adversely affected.

If we lose any of our key personnel, our operations and business may suffer

We are heavily dependent upon our senior management in relation to their expertise in the forestry industry and research and development in forest plantation management practices and wood-based products manufacturing production processes, and the relationships cultivated by them with our major customers and others. We have no long-term contracts with any of our senior management. We do, however, have key person life insurance policies for two of our executive officers. In addition, we have life insurance policies covering many of our employees, including senior management. The departure, or otherwise loss of service, of any of our senior management could materially and adversely affect our business, financial condition and results of operations.

We may face difficulties during the transitional stages of our expansion; we may experience difficulties in managing future growth and potential acquisitions

Our organic growth, as well as growth arising from acquisitions or joint ventures, could place a significant strain on our managerial, operational and financial resources. Our ability to manage our future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to train, motivate and manage an enlarged workforce and our ability to integrate our existing workforce with that of any businesses that we may acquire. Failure to effectively manage our expansion may lead to increased costs, a decline in sales and reduced profitability.

We may also seek to achieve our growth targets through joint ventures, acquisitions of local businesses providing access to new markets and/or creating synergies with our existing business. We may not be able to identify appropriate targets, complete the acquisitions on satisfactory terms (particularly as to price) or efficiently integrate the acquired companies or activities and achieve the expected benefits in terms of cost and synergies, which could adversely affect our business, financial condition and results of operations. There can be no assurance that we will be able to achieve our growth objectives.

the measures described in this paragraph, we may not be able to implement our expansion strategy or to manage our growth effectively and our business, financial condition and results of operations could be materially and adversely affected. See "Certain Financial Information—Disclosure Controls and Procedures and Internal Controls over Financial Reporting."

The forest products industry is highly competitive

The forest products industry is highly competitive in terms of price and quality. Wood products are subject to increasing competition from a variety of substitute products, including non-wood and engineered wood products. Lumber and log markets in the PRC are subject to competition from worldwide suppliers. In our tree plantations and standing timber and wood-based products trading activities, we are subject to increasing competition from other large domestic and foreign-owned tree plantations operators in the PRC, as well as wood dealers and local forestry companies, all of which provide logs and wood-based products for sale in the PRC. We also compete with a number of overseas forestry companies selling wood logs and wood-based products in the PRC.

Our manufacturing plants face competition from other large domestic and foreign-owned wood panel manufacturers in the PRC, as well as manufacturers in other countries selling into the PRC. In this regard, other manufacturers of wood panels are currently constructing new mills in the PRC that will substantially increase the production capacity of wood panels in the PRC. We may not be able to compete effectively against these and other potential competitors. If we are not able to compete effectively in our different business lines, or if competition significantly increases, our business, financial condition and results of operations could be materially and adversely affected.

We rely on our relationships with local plantation landowners and/or plantation land use rights holders

The conversion of the legal structure of all four of our CJVs into WFOEs was completed in the fourth quarter of 2007 and negotiations with local farmers, collective organizations or other land use rights holders for entering into new plantation land use agreements are in progress. There can be no assurance that through the WFOEs we will be able to secure all the plantation land use rights that we would expect them to secure, or secure such rights on satisfactory terms, from the farmers, collective organizations or other land use rights holders, or that we will be able to enter into any plantation land use agreements with relevant farmers, collective organizations or other land use rights holders to maintain the use of the tree plantations originally operated by our former CJVs or to obtain additional tree plantations.

In addition, we rely on our relationships with local plantation landowners and/or plantation land use rights holders to enter into any plantation land use agreements on commercially acceptable terms for our purchased plantations. We cannot give any assurance that we will be able to enter into any such agreements on commercially acceptable terms.

The loss of business from a major customer could reduce our sales and harm our business and prospects

A few large customers account for a significant percentage of our total revenue. During the years ended December 31, 2006, 2007, 2008 and the nine-month period ended September 30, 2009, our five largest customers accounted for approximately 57.5%, 58.7%, 55.6% and 71.6%, respectively, of our total revenue. For the same periods, our largest customer accounted for approximately 12.9%, 15.8%, 13.9% and 16.5%, respectively, of our total revenue. These major customers are all wood dealers and our authorized intermediaries ("AIs") who sell logs and wood-based products to end-user customers of these products. As a result, we expect that, for the foreseeable future, sales to a limited number of customers will continue to account, alone or in the aggregate, for a significant percentage of our total revenue. Dependence on a limited number of customers exposes us to the risk that a reduction of business volume from any one customer could have a material adverse effect on our business, financial condition and results of operations.

The forestry industry is susceptible to weather conditions, timber growth cycles and natural disasters outside of our control

Our business, financial condition and results of operations depend to a significant extent on our ability to harvest trees or engage in trading activities at adequate levels. The following factors, which are outside of our control, may affect the prices of logs and wood-based products, and our ability to harvest the trees on our tree plantations or engage in our trading activities:

- unfavorable local and global weather conditions, such as prolonged drought, flooding, hailstorms, windstorms, typhoons, frost and winter freezing; and
- the occurrence of natural disasters, such as damage by fire, insect infestation, crop pests, and earthquakes.

In recent years, certain areas of the PRC have been adversely affected by severe flooding. In addition, the southern coastal areas of the PRC suffer a number of typhoons each season, which lasts from June to September and occasionally results in significant damage. Further, there have been several incidences of forest fires in Guangdong Province. Dry weather conditions brought by the El Niño weather pattern in 1998 adversely affected certain areas of the world. In 1996, damage brought about by frost adversely affected the yield of eucalyptus plantations on higher altitude inland plantations in the PRC. In February 2008, snow and freezing rain storms damaged plantations in certain provinces. Similar conditions may well recur in the future. The occurrence of these or other natural disasters may disrupt or reduce the supply of trees available for harvesting in the areas of the PRC where our tree plantations are located, or otherwise disrupt our trading activities, which may adversely affect our business, financial condition and results of operations.

We may not be able to meet our expectations for the yields of our tree plantations

The success of our business depends upon the productivity of our tree plantations and our ability to realize yields at estimated levels. We estimate that the current average standing timber yield for our eucalyptus trees ranges from approximately 100 to 150 cubic meters per hectare per six-year cycle. Tree plantation yields depend on a number of factors, many of which may be beyond our control. These include weather, climate and soil conditions, as well as damage by disease, pests and other natural disasters. Our ability to maintain our yields will depend on these factors, and in particular the weather, climate and soil conditions for additional tree plantations that we may obtain in the future.

Our ability to improve or maintain our yields will depend on the factors described above as well as our ability to develop genetic improvements in planting materials, our ability to grow improved species of eucalyptus trees and our ability to implement improved silvicultural practices as we gain experience in managing eucalyptus tree plantations. As a result, we cannot provide any assurance that we will be able to realize the historical or future yields we expected. If we cannot achieve yields at expected levels, our business, financial condition and results of operations would be materially and adversely affected.

We may not be able to effectively manage our tree plantations if we do not hire additional employees and improve our management systems and internal controls

As of September 30, 2009, we had 2,795 permanent employees based in Canada, Hong Kong and the PRC to manage our operations. We also engage third parties to perform the day-to-day operations of our tree plantations. However, as we expand the area of our tree plantations, we will have to hire additional management employees, strengthen our management processes and develop a plantation resources information system in order to effectively manage our tree plantations. There is no assurance that we will be able to recruit qualified management employees, strengthen our management processes or develop such an information system in a timely manner, or at all. We also believe that it is necessary to strengthen our internal control and corporate governance as we continue to build our business. Should we fail to take complete the related registration procedures. In addition, we may not have the ability to allocate proper management resources and attention to the implementation of the integrated plantation model as well as coordinate the integration of our tree plantations with our downstream manufacturing activities. Furthermore, although results of operations and gross profit margins generated by sales of logs pursuant to the integrated plantation model in the year ended December 31, 2008 exceeded management's guidance, such results are not necessarily indicative of results that may be achievable in the future. We may be subject to operational and execution risks of integrating our upstream plantation activities to our downstream manufacturing operations, among other things.

Our expansion in new regions may pose certain implementation risks

We commenced operations in Hunan and Yunnan Provinces for the first time in the fourth quarter of 2006 and the first quarter of 2007, respectively. We are exposed to certain risks relating to our ability to successfully operate our plantations in those regions, primarily because we have no operating history in Hunan and Yunnan Provinces, and also because we do not have extensive experience interacting with local governments, business counterparties and original plantation rights holders in these provinces. These risks are similar to the risks we face with respect to our integrated plantation model. See "—Our integrated plantation model has a short operating history and may not be successful."

We are subject to risks presented by fluctuations in exchange rates

We publish our financial statements and incur substantially all of our indebtedness in U.S. dollars, while substantially all of our revenue is denominated in Renminbi.

Since 1994, the conversion of Renminbi into U.S. dollars has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. The relative value and rate of exchange of the Renminbi against the U.S. dollar is affected by, among other things, changes in the PRC's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy has resulted in an appreciation of the Renminbi against the U.S. dollar of more than 21% from the July 21, 2005 change in exchange rate policy to December 7, 2009. The PRC government may decide to adopt an even more flexible currency policy in the future, which could result in a further and more significant appreciation or depreciation of the Renminbi against the U.S. dollar.

Renminbi devaluation and exchange rate fluctuations may adversely affect our results of operations and financial condition and may result in foreign exchange losses because we have substantial foreign currency-denominated indebtedness, expenses and other requirements, while most of our revenues are denominated in Renminbi. In addition, we may not be able to increase the Renminbi prices of our domestic sales to offset fully any depreciation of the Renminbi due to political, competitive or social factors. To the extent the Renminbi appreciates against the U.S. dollar or other currencies, it will make it more expensive for us to finance the expansion of our plantations in the PRC through equity or non-Renminbi borrowings.

As at September 30, 2009, our total long-term debt was (including current portion of long-term debt) US$711.9 million, all of which was denominated in U.S. dollars. We do not currently hedge exchange rate fluctuations between the Renminbi and other currencies.

Any significant fluctuation in the exchange rates between the Renminbi and other currencies, such as the U.S. dollar, Canadian dollar, Euro and H.K. dollar, or in the U.S. dollar against the Renminbi, the Canadian dollar, the Euro or the H.K. dollar, may have an adverse impact on our results of operations and may adversely affect the value, translated or converted into U.S. dollars, Canadian dollars or otherwise, of our revenue and net income.

US$706.0 million in capital expenditures to acquire tree plantations. In recent years, we have expanded our manufacturing operations through investments in an engineered wood flooring plant in Jiangsu, a blockboard facility in Hunan, a plywood and veneer facility in Guangxi and sawn timber facilities in Yunnan and Heilongjiang. We have financed our expansion of tree plantations and manufacturing operations primarily from internal cash flows and debt and equity financing and, if we require additional debt or equity financing for future capital expenditures, we can give no assurance that such financing will be available in the future on attractive terms or at all.

In addition, we currently have substantial indebtedness, including the following principal amounts of indebtedness outstanding: US$87.7 million of 2011 Senior Notes, US$212.3 million of 2014 Senior Notes, a US$150 million loan facility with several financial institutions (the "Syndicated Term Loan") and US$345 million of 2013 Convertible Senior Notes, the terms of which restrict our ability to raise additional debt financing. Such restrictions could affect our ability to raise financing in the future. In addition to the Notes, we may also issue an additional US$187.7 million in principal amount of New 2014 Senior Notes. See "Recent Developments—Mandra Acquisition and Issuance of New 2014 Senior Notes." We may incur additional indebtedness from domestic PRC lenders to supplement the funding of our proposed investments with SOPs. See "Recent Developments—Opportunities to Invest in the PRC with State-Owned Plantation Entities." If we are not able to obtain financing for expanding our tree plantations and/or manufacturing operations and/or other capital requirements, our business, financial condition and results of operations may be materially and adversely affected. See "Description of Other Indebtedness."

Our decision and ability to develop and operate future tree plantations is subject to various factors and uncertainties, and no assurance can be given that we will actually develop and operate the amount of tree plantations with respect to which we have certain contractual rights

Our ability to further expand and develop our tree plantations and successfully implement our tree plantation models depends, among other things, on our ability to purchase trees with respect to which we have certain contractual rights and to lease the underlying plantation land on which the trees are located or to find other suitable plantation land. Under the purchase agreements for most of our purchased plantations, we have a pre- emptive right to lease the underlying plantation land for a maximum period of up to 30 to 50 years, subject to negotiation of the definitive land use right transfer agreement, obtaining the requisite governmental approval and completing the requisite registration procedures. Our decision and ability to purchase the trees and exercise our contractual rights with respect to our tree plantations will depend on, among other factors, our business strategy and the availability of future financing, our ability to negotiate a final price, whether the area is desirable for tree plantations and the availability of tree plantations for expansion.

Should we be unable to purchase the trees, exercise our right to acquire the underlying plantation land use rights or obtain and complete the requisite governmental approval and registration procedures, or should we be unable to locate available and suitable plantation land for expansion, our business, financial condition and results of operations could be materially and adversely affected.

Our integrated plantation model has a short operating history and may not be successful

We commenced set-up and operations of our integrated plantation model in the fourth quarter of 2006, which consists of selling trees from our plantations as logs or using the wood fibre for producing value-added wood products at our own manufacturing facilities. The integrated plantation model is in an early business stage and has a short operating history. We may be unable to continue to acquire standing timber under the long-term acquisition agreements due to factors such as (i) risks of disagreement with counterparties and/or original plantation rights holders in the provinces regarding entering into specific agreements for the implementation of our plantation acquisition plan, (ii) the failure of any such counterparty to obtain any requisite consents from the original plantation rights holders, and (iii) risks of the counterparties failing to coordinate with us to obtain the requisite governmental approvals and

RISK FACTORS

An investment in the Notes or our Common Shares is subject to a number of risks. You should consider the risks described below carefully and all of the information contained in this Offering Memorandum before deciding whether to purchase the Notes or to convert the Notes into Common Shares. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. In that event, the price of the Notes and our Common Shares could decline, and you may lose all or part of your investment in the Notes and our Common Shares. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See "Forward-Looking Statements."

Risks Related to Our Business

The cyclical nature of the forest products industry and price fluctuations could adversely affect our results of operations

Our results of operations are, and will continue to be, affected by the cyclical nature of the forest products industry. Market prices and demand for standing timber, wood logs and wood products have been, and in the future are expected to be, subject to cyclical fluctuations, which have a significant effect on our business, results of operations and financial condition. The pricing in the forestry market is affected by the prices of the ultimate wood products produced from logs in the PRC, including furniture, construction materials, interior decoration materials and pulp and paper products. The prices of wood products are also affected by the availability of wood substitutes. The markets for wood products are sensitive to changes in industry capacity and output levels, general timber industry conditions and cyclical changes in the world and PRC economies, any of which can have a significant impact on selling prices of wood products. The demand for wood products is also substantially affected by the level of new construction activity, which is subject to fluctuations that may or may not correspond to overall economic trends. Decreases in the level of construction activity generally reduce demand for wood products. The demand for wood products is also affected by the level of interior decoration activity. These activities are, in turn, subject to fluctuations due to, among other factors:

- changes in domestic and international economic conditions;
- changes in market prices of commodities;
- governmental regulations and policies;
- interest rates;
- population growth and changing demographics; and
- seasonal weather cycles (such as dry or hot summers, wet or cold winters and other factors affecting tree growth).

Cyclical changes in the forest products industry, including changes in demand and pricing for our products and the other factors described above, could have a material adverse effect on our business, financial condition and results of operations.

Expanding our tree plantations and manufacturing operations requires substantial future capital expenditures and we may be unable to obtain adequate financing to fund our capital and other requirements

Expanding our tree plantations and manufacturing operations requires intensive capital investment. During the years ended December 31, 2006, 2007, 2008 and the nine-month period ended September 30, 2009, we incurred approximately US$407.2 million, US$647.0 million, US$672.5 million and

A reconciliation from income from operations before other items to EBITDA for the periods indicated is set out below:

	For the Year Ended December 31,			For the Nine-month Period Ended September 30,	
	2006[1],[2] (Restated)	2007[2]	2008[2]	2008	2009
	(US$ thousands)				
Income from operations before other items	135,145	197,468	303,382	208,498	244,110
Add:					
Depreciation and amortization	3,975	5,364	4,627	2,250	3,450
Depletion of timber holdings included in cost of sales	177,730	284,808	284,532	192,301	294,716
EBITDA[3]	316,850	487,640	592,541	403,049	542,276

Notes:

(1) See note (1) above.

(2) See note (3) above.

(3) See note (7) above.

	As of and for the Year Ended December 31,			As of and for the Nine-Month Period Ended September 30,	
	2006[(1),(2),(3)]	2007[(2),(3)]	2008[(2),(3)]	2008[(3)]	2009
	(Restated)				
	(US$ thousands, except per share amounts and margins)				
Cash Flow Statement Data:					
Cash flows from operating activities of continuing operations	264,203	482,501	483,125	272,189	558,497
Cash flows used in investing activities	(423,036)	(692,322)	(704,009)	(442,541)	(765,262)
Cash flows from financing activities	176,200	376,912	331,807	342,334	309,088
Net increase in cash and cash equivalents	44,469	175,803	112,481	170,320	124,029

Notes:

(1) Results for the year ended December 31, 2006 have been restated to reflect the adoption of a new accounting policy for uncertainty in income taxes and the classification of wood chips and commission revenue as revenue from discontinued operations, due to the cessation of wood chips and commission operations in the third quarter of 2007. See note 18 to our audited consolidated financial statements as at and for the year ended December 31, 2007 and note 19 to our audited consolidated financial statements as at and for the year ended December 31, 2008. See "Certain Financial Information—Components of Income Statement Items" for a detailed description of our revenue components.

(2) Our Gaoyao facility was disposed of in the nine-month period ended September 30, 2009 and the results of operations of the Gaoyao facility have been presented as discontinued in the nine-month periods ended September 30, 2008 and 2009. The annual consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 were issued prior to such disposition and have not been restated to reflect the Gaoyao facility as a discontinued operation. An impairment charge of our capital assets of US$15.4 million and US$18.2 million for the years ended December 31, 2007 and 2008, respectively, will be reclassified as discontinued operations in our 2009 year-end financials. The remaining results of operations of the Gaoyao facility are not significant to the Company's consolidated results. The selected data in this table for the years ended December 31, 2006, 2007 and 2008 have not been restated to reflect the Gaoyao facility as a discontinued operation. See "Certain Financial Information—Overview."

(3) The following financial data for the years ended December 31, 2006, 2007 and 2008 and the balance sheet as of September 30, 2008 have not been reclassified to reflect the Gaoyao facility as discontinued. See note 2 above.

(4) Income from operations before other items excludes interest income and expense, exchange gains/(losses), gain/(loss) on changes in fair value of financial instruments and other income, impairment of capital assets, and amortization of deferred financing costs.

(5) Gross profit for any period is defined as total revenue less cost of sales. Gross profit is presented as additional information because we believe that it is a useful measure for certain investors to determine our operating performance. Gross profit is not a recognized term under Canadian GAAP and should not be considered as an alternative to net income as an indicator of our operating performance or any other measure of performance derived in accordance with Canadian GAAP. Because it is not a Canadian GAAP measure, gross profit may not be comparable to similar measures presented by other companies.

(6) Gross profit margin is calculated by dividing gross profit by revenue. Gross profit margin is not a measure of financial performance under Canadian GAAP and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with Canadian GAAP. Because it is not a Canadian GAAP measure, gross profit margin may not be comparable to similar measures presented by other companies.

(7) EBITDA for any period is defined as income from operations before other items for the period after adding depreciation and amortization and depletion of timber holdings from cost of sales, for the period. EBITDA is presented as additional information because we believe that it is a useful measure for certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. EBITDA is not a measure of financial performance under Canadian GAAP and should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with Canadian GAAP. Because it is not a Canadian GAAP measure, EBITDA may not be comparable to similar measures presented by other companies.

SUMMARY FINANCIAL DATA

The summary financial data in this section has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and our unaudited consolidated financial statements as of and for the nine-month periods ended September 30, 2008 and 2009 incorporated by reference herein. The unaudited interim financial statements incorporated by reference herein reflect all adjustments which are, in our opinion, necessary to provide a fair statement of the results for the interim period indicated. The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain material respects from U.S. GAAP. See "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP." The following summary financial data should be read in conjunction with "Certain Financial Information" and the audited and unaudited consolidated financial statements and the related notes thereto incorporated by reference herein and other information included elsewhere in this Offering Memorandum. The results in the nine-month periods ended September 30, 2008 and 2009 are not necessarily indicative of the results that may be expected for the full year, and our historical results in general do not necessarily indicate results expected for any future period.

	As of and for the Year Ended December 31,			As of and for the Nine-Month Period Ended September 30,	
	2006(1),(2),(3)	2007(2),(3)	2008(2),(3)	2008(3)	2009
	(Restated)				
	(US$ thousands, except per share amounts and margins)				
Consolidated Income Statement Data:					
Revenue	555,480	713,866	901,295	614,172	768,615
Cost of sales	(380,508)	(470,825)	(536,557)	(370,188)	(475,034)
Selling, general and administrative expenses	(35,852)	(40,209)	(56,729)	(33,236)	(46,021)
Depreciation and amortization	(3,975)	(5,364)	(4,627)	(2,250)	(3,450)
Income from operations before other items(4)	135,145	197,468	303,382	208,498	244,110
Net income from continuing operations(2)	92,212	142,431	216,393	159,056	181,438
Net income/(loss) from discontinued operations(2)	21,268	9,842	12,200	(25,953)	(7,767)
Net income for the year/period	113,480	152,273	228,593	133,103	173,671
Basic earnings per share	0.82	0.91	1.25	0.73	0.87
Diluted earnings per share	0.81	0.90	1.24	0.72	0.86
Other Consolidated Financial Data:					
Gross profit(5)	174,972	243,041	364,738	243,984	293,581
Gross profit margin(6)	31.5%	34.0%	40.5%	39.7%	38.2%
EBITDA(7)	316,850	487,640	592,541	403,049	542,276
Balance Sheet Data:					
Cash, cash equivalents and short-term deposits	171,437	350,853	486,955	527,874	616,523
Current assets	333,609	527,028	783,869	831,474	889,270
Non-current assets	873,646	1,310,469	1,820,055	1,645,404	2,241,616
Total assets	1,207,255	1,837,497	2,603,924	2,476,878	3,130,886
Current liabilities (including current portion of long-term debt)	179,048	197,003	285,478	256,934	322,372
Long-term debt (net of current portion)	450,000	441,985	714,468	711,029	674,383
Total liabilities	629,048	650,199	1,005,160	972,433	996,755
Total shareholders' equity	578,207	1,187,298	1,598,764	1,504,445	2,134,131

	receive the Additional Amounts referred to in "Additional Amounts" above after the redemption date. See "Description of the Notes—Redemption for Tax Reasons."
DTC Eligibility	The Notes will be issued in fully registered book-entry form and will be represented by one or more Global Notes. Global Notes will be deposited with a custodian and registered in the name of a nominee of The Depository Trust Company, or DTC, in New York, New York. Beneficial interests in Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, and your interest in any Global Note may not be exchanged for certificated Notes, except in limited circumstances described in this Offering Memorandum. See "Description of the Notes—Global Notes; Book Entry; Form."
Transfer Restrictions	The Notes and the Conversion Shares have not been registered under the Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transfer. See "Transfer Restrictions."
Form and Denomination	The Notes will be issued in minimum denominations of US$1,000 and any integral multiple of US$1,000.
Listing	The Notes will not be listed on any securities exchange or included in any automated quotation system. The Notes will be new securities for which there is currently no public market. Our Common Shares are listed on the TSX under the symbol "TRE".
Governing Law	The Indenture and the Notes, and any claim, controversy or dispute arising under or related to the Indenture or the Notes, will be governed by, and construed in accordance with, the law of the State of New York.
Concurrent Equity Offering	Concurrently with this offering of Notes, we are conducting the Equity Offering. This offering of Notes is not contingent upon the consummation of the Equity Offering, and the Equity Offering is not contingent upon the consummation of this offering of Notes. See "Recent Developments—The Concurrent Equity Offering."
Risk Factors	See "Risk Factors" beginning on page 18 of this Offering Memorandum and other information included in this Offering Memorandum for a discussion of the factors you should carefully consider before deciding to invest in the Notes.
Trustee, Conversion Agent, Registrar, Transfer Agent, Paying Agent	The Bank of New York Mellon

subject to the requisite governmental approval and plantation rights registration with the local forestry bureau in compliance with the relevant PRC laws and regulations. There can be no assurance that we will be able to enter into the Guizhou Master Agreement;

3. approximately US$200.0 million to fund forestry investments in cooperation with state-owned plantation entities ("SOPs") in the PRC. It is intended that we and the SOPs will form Co-op Entities, in accordance with relevant PRC laws and regulations and subject to receipt of the requisite government approvals, with the goal of developing the economic value of state-owned plantation farms by investing in advanced breeding, planting and silviculture technology and introducing modern plantation management know-how and practices to the Co-op Entities. The Co-op Entities are expected to have approximately 120,000 hectares of plantation trees under management; and

4. any remainder, for any payments required to be made in connection with consummating the exchange for Mandra Notes and Mandra Warrants and the acquisition of common shares of Mandra, for investments in Mandra Forestry as we may determine to make after we have consummated such exchange and acquisition, and for general corporate purposes.

For further details, see "Use of Proceeds" and "Recent Developments."

Additional Amounts . . . . . . All payments made by us, the Surviving Person (as defined under "Description of the Notes—Consolidation, Mergers or Sales of Assets") or any Subsidiary Guarantor under or with respect to the Notes or the Subsidiary Guarantees (including payments of cash or delivery of Conversion Shares), will be made without withholding or deductions for any taxes, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, we, the Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts as may be necessary to ensure that the net amount received by the holder of each Note or the Subsidiary Guarantee, as the case may be, after such withholding or deduction (and after deducting any taxes on the Additional Amounts (as defined under "Description of the Notes—Additional Amounts")) shall equal the amounts which would have been received by such holder had no such withholding or deduction been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts."

Tax Redemption . . . . Subject to certain exceptions and as more fully described in this Offering Memorandum, we or the Surviving Person may redeem, in whole but not in part, the Notes for cash at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus any accrued and unpaid interest to, but excluding, the redemption date if we, the Surviving Person or any of the Subsidiary Guarantors would become obligated to pay certain Additional Amounts (as defined under "Description of the Notes—Redemption for Tax Reasons") as a result of certain changes in specified tax laws or certain other circumstances. Upon receiving a notice of redemption, a holder may elect not to have its Notes redeemed in which case such holder would not be entitled to

	will be based on the price paid for our Common Shares in the transaction constituting the make-whole fundamental change and the effective date of the make-whole fundamental change. A description of how the increase in the applicable conversion rate will be determined and a table showing the increase that would apply at various Common Share prices and make-whole fundamental change effective dates are set forth under "Description of the Notes—Make-Whole Premium Upon a Make-Whole Fundamental Change."
Use of Proceeds	We estimate that the net proceeds from this offering of Notes will be approximately US$388,300,000 (or approximately US$446,740,000 if the Initial Purchasers' overallotment option is exercised in full) after giving effect to the Initial Purchasers' discount and offering expenses payable by us. See "Plan of Distribution." We are also conducting the Equity Offering to raise gross proceeds of approximately US$302,415,917 (or US$347,778,312 if the over-allotment option is exercised in full) concurrently with this offering of Notes. The Canadian dollar proceeds of the Equity Offering have been translated into U.S. dollars solely for the convenience of the reader using the Noon Buying Rate provided by the Federal Reserve Bank of New York on December 7, 2009 of Cdn.$1.0555 to US$1.00. We expect that the Equity Offering will be completed on or about the same date as this offering of Notes. We intend to use the net proceeds of this offering of Notes and the Equity Offering for the following purposes: 1. approximately US$150.0 million to prepay the full amount of borrowings outstanding under the Syndicated Term Loan, including accrued but unpaid interest and related fees and expenses thereunder; 2. approximately US$250.0 million as initial capital for the acquisition of commercial plantation forests in the Guizhou Province, PRC. We are currently negotiating, and expect to enter into shortly after the completion of this offering of Notes, through one of our PRC subsidiaries, the Guizhou Master Agreement to acquire between approximately 10.5 million and 16.5 million cubic meters of plantation wood fibre, within an area of approximately 150,000 hectares of plantations trees that has an average yield of 70 to 110 cubic meters per hectare in Guizhou Province. The term of the agreement is three years, and the purchase price for the timber shall not exceed RMB 300 per cubic meter, to the extent permitted under the relevant PRC laws and regulations. Pursuant to the terms of the contemplated master agreement, we will not be obligated to acquire any of these plantation trees which do not meet our specific requirements. Subject to reaching a definitive purchase agreement with the vendor on the final terms of the master agreement, we expect to have pre-emptive rights to lease the underlying plantation land at a price, if permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years. The expected term of the land lease can be for up to 50 years from the harvest date as permitted under PRC laws and regulations. The specific terms and conditions of such purchase or lease are to be determined upon the execution of the definitive purchase or lease agreement between one of our PRC subsidiaries and the vendor upon the authorization of the original plantation rights holders, and

	• rank at least *pari passu* with all other unsecured, unsubordinated indebtedness of such Subsidiary Guarantor. The Subsidiary Guarantors have also guaranteed the 2011 Senior Notes, the 2014 Senior Notes, the 2013 Convertible Notes and the Syndicated Term Loan. The capital stock of the Subsidiary Guarantors has been pledged to secure the 2011 Senior Notes, the 2014 Senior Notes and the Syndicated Term Loan, but will not be pledged to secure the Notes. See "Description of Other Indebtedness" and "Risk Factors—Risks Related to the Notes and the Common Shares—The Notes are not secured by pledges of the capital stock of the Subsidiary Guarantors or the Initial Non-Guarantor Subsidiary while certain of our other significant obligations are so secured" and other risks relating to the Subsidiary Guarantees under "Risk Factors—Risks Related to the Subsidiary Guarantees."
Conversion Rights	The Notes are convertible, at the option of the holder, at any time prior to the close of business on the business day immediately preceding the stated maturity date of the Notes, into the Common Shares at an initial conversion rate of 47.2619 Common Shares per US$1,000 principal amount of Notes, which represents an initial conversion price of approximately Cdn.$22.26 per Common Share based on a fixed exchange rate applicable on conversion of the Notes of US$1.00 = Cdn.$1.05205. Upon conversion, at our option, we may elect to deliver, in lieu of Common Shares, cash or a combination of cash and Common Shares. Upon conversion, a holder will not receive any cash payment or additional Common Shares representing any accrued but unpaid interest, except in limited circumstances. Instead, accrued but unpaid interest will be deemed to be paid by the Common Shares (or any cash in lieu of all or a portion thereof) received by the holder on conversion. The conversion rate is subject to adjustment in some events but will not be adjusted for any accrued and unpaid interest.
Purchase of Notes at the Holders' Option Upon Fundamental Change	If a fundamental change occurs, we will be required to make an offer to each holder, subject to the terms and conditions of the Indenture, to purchase for cash all or a portion of its Notes, at such holder's option, at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest to, but excluding, the fundamental change purchase date. See "Description of the Notes—Offer to Purchase at Option of the Holder Upon a Fundamental Change."
Make-Whole Premium Upon a Make-Whole Fundamental Change	If a "make-whole fundamental change" (as defined under "Description of the Notes—Make-Whole Premium Upon a Make-Whole Fundamental Change") occurs, we will pay, to the extent described in this Offering Memorandum and as more particularly described in the Indenture, a make-whole premium on Notes converted in connection with such transaction by increasing the conversion rate for the Notes so surrendered for conversion. The amount of make-whole premium, if any,

(China) Inc. (BVI), Sino-Wood Partners, Limited (H.K.), Sino-Forest Resources Inc. (BVI), Suri-Wood Inc. (BVI), Sino-Plantation Limited (H.K.), Sino-Wood (Guangxi) Limited (H.K.), Sino-Wood (Jiangxi) Limited (H.K.), Sino-Wood (Guangdong) Limited (H.K.), Sino-Global Holdings Inc. (BVI), Sinowin Investments Limited (BVI), Sino-Panel (North East China) Limited (BVI), Sino-Panel [Hunan] Limited (BVI), Sino-Panel [Xiangxi] Limited (BVI), Sino-Forest Bio-Science Limited (BVI) (formerly known as Sino-Two Limited), Sino-Panel (Guangzhou) Limited (BVI), Sino-Panel [Suzhou] Limited (BVI), Sino-Panel (Yunnan) Limited (BVI), Sino-Panel (Guangxi) Limited (BVI), Sino-Panel (Guizhou) Limited (BVI), Sino-Panel (Qinzhou) Limited (BVI), Sino-Panel (Shaoyang) Limited (BVI), Sino-Panel (Yongzhou) Limited (BVI), Sino-Panel (Fujian) Limited (BVI), Grandeur Winway Ltd. (BVI), Sinowood Limited (Cayman Islands), Sino-Forest Investments Limited (BVI), Sino-Wood (Fujian) Limited (HK), Sino-Panel (North Sea) Limited (BVI), Sino-Panel (Huaihua) Limited (BVI), Amplemax Worldwide Limited (BVI), Ace Supreme International Limited (BVI), Express Point Holdings Limited (BVI), Glory Billion International Limited (BVI), Smart Sure Enterprises Limited (BVI), Expert Bonus Investment Limited (BVI) and Dynamic Profit Holdings Limited (BVI).

Not all of the Company's subsidiaries will guarantee the Notes. Sino-Capital Global Inc. (BVI) (the "Initial Non-Guarantor Subsidiary"), which is a subsidiary that has guaranteed the 2011 Senior Notes and the Syndicated Term Loan, will not be a Subsidiary Guarantor at the date of issuance of the Notes. See "Risk Factors—Risks Related to the Notes and the Common Shares—We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of certain of our subsidiaries."

Under certain circumstances, we will cause the Initial Non-Guarantor Subsidiary to provide a guarantee of the Notes. See "Description of the Notes—The Subsidiary Guarantees."

In addition, each of our future subsidiaries (other than subsidiaries organized under the laws of the PRC or another jurisdiction that prohibits such subsidiaries from guaranteeing payment under the Notes) will provide a guarantee of the Notes immediately upon becoming our subsidiary.

Ranking of Subsidiary Guarantees. . . . .

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- be a general senior unsubordinated obligation of such Subsidiary Guarantor;
- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the assets serving as security therefor;
- rank senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; and

The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see the section titled "Description of the Notes" included in this Offering Memorandum.

Notes Offered .... US$400.0 million aggregate principal amount (or US$460.0 million aggregate principal amount if the Initial Purchasers exercise their over-allotment option to purchase additional Notes in full) of 4.25% convertible senior notes due 2016.

Maturity Date .... December 15, 2016.

Interest and Payment Dates. 4.25% per year, payable semi-annually in arrears in cash on June 15 and December 15 of each year, beginning on June 15, 2010.

Ranking of the Notes ..... The Notes will:

- be our general senior unsubordinated obligations;
- rank senior in right of payment to any of our existing and future obligations expressly subordinated in right of payment to the Notes;
- be effectively subordinated to our secured obligations, to the extent of the assets serving as security therefor;
- rank at least *pari passu* in right of payment with all of our other unsecured, unsubordinated indebtedness (subject to any priority rights of such unsubordinated indebtedness pursuant to applicable law);
- be guaranteed by the Subsidiary Guarantors (as described below) on a senior basis, subject to the limitations described under "Risk Factors—Risks Related to the Subsidiary Guarantees" and "Description of the Notes—The Subsidiary Guarantees"; and
- be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

We have pledged the capital stock of the Subsidiary Guarantors directly held by us to secure our US$300.0 million 9.125% guaranteed senior notes due 2011 (of which US$87.7 million is currently outstanding) (the "2011 Senior Notes"), the 2014 Senior Notes and the Syndicated Term Loan (as defined below), but we will not pledge such capital stock to secure the Notes. See "Description of Other Indebtedness" and "Risk Factors—Risks Related to the Notes and the Common Shares—The Notes are not secured by pledges of the capital stock of the Subsidiary Guarantors or the Initial Non-Guarantor Subsidiary while certain of our other significant obligations are so secured."

Subsidiary Guarantees..... Each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, interest on and all other amounts payable under, the Notes and the indenture governing the Notes (the "Indenture").

A Subsidiary Guarantee may be released in certain circumstances. See "Description of the Notes—The Subsidiary Guarantees—Release of the Subsidiary Guarantees."

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Sino-Panel Holdings Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), SFR

Tree Plantation Contractual Arrangements—Mandra Forestry." In connection with the acquisition of the share capital of Mandra, and as partial contingent payment thereof, we also have an agreement in principle to make additional payments in the form of our Common Shares based on achievement of specific milestones.

Long-term Acquisition Agreement in Guizhou

We are currently negotiating, and expect to enter into shortly after the completion of this offering of Notes, through one of our PRC subsidiaries, a master agreement to acquire between approximately 10.5 million and 16.5 million cubic meters of plantation wood fibre, within an area of approximately 150,000 hectares of plantations trees that has an average yield of 70 to 110 cubic meters per hectare in Guizhou Province (the "Guizhou Master Agreement"). The term of the agreement is three years, and the purchase price for the timber shall not exceed RMB300 per cubic meter, to the extent permitted under the relevant PRC laws and regulations. Pursuant to the terms of the contemplated master agreement, we will not be obligated to acquire any of these plantation trees which do not meet our specific requirements. Subject to reaching a definitive purchase agreement with the vendor on the final terms of the master agreement, we expect to have pre-emptive rights to lease the underlying plantation land at a price, if permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years. The expected term of the land lease can be for up to 50 years from the harvest date as permitted under PRC laws and regulations. The specific terms and conditions of such purchase or lease are to be determined upon the execution of the definitive purchase or lease agreement between one of our PRC subsidiaries and the vendor upon the authorization of the original plantation rights holders, and subject to the requisite governmental approval and plantation rights registration with the local forestry bureau in compliance with the relevant PRC laws and regulations. There can be no assurance that we will be able to enter into the Guizhou Master Agreement.

Opportunities to Invest in the PRC with State-Owned Plantation Entities

We are currently exploring opportunities to fund investments in the PRC in cooperation with state-owned plantation entities ("SOPs"). We anticipate making such investments into newly formed entities owned by us and the SOPs (the "Co-op Entities"). The purpose of these investments would be to develop the economic value of state-owned plantation farms by investing in advanced breeding, planting and silviculture technology and introducing modern plantation management know-how and practices to the Co-op Entities. The Co-op Entities are expected to have approximately 120,000 hectares of plantation trees under management. We have currently allocated a significant portion of the proceeds of this offering of Notes and the Equity Offering to fund any investments we make in such entities. See "Use of Proceeds."

offering pursuant to a Canadian short form prospectus and an international offering memorandum (the "Equity Offering") concurrently with this offering of Notes. The Canadian dollar proceeds of the Equity Offering have been translated into U.S. dollars solely for the convenience of the reader using the Noon Buying Rate provided by the Federal Reserve Bank of New York on December 7, 2009 of Cdn.$1.0555 to US$1.00. We expect that the Equity Offering will be completed on or about the same date as this offering of Notes. We intend to use the aggregate net proceeds from this offering of the Notes and the Equity Offering as described under "Use of Proceeds".

However, the number of Common Shares and the actual price at which we are able to sell the Common Shares in the Equity Offering will be determined through a book building process. There can be no assurance that we will be able to complete the Equity Offering at a price per Common Share that is acceptable to us, or at all. The completion of this offering of Notes is not conditioned upon the completion of the Equity Offering. As a result, if the Equity Offering is not completed, we may nevertheless complete the offering of Notes and use the net proceeds as described under "Use of Proceeds".

The Common Shares being offered and sold in the Equity Offering have not been and will not be registered under the Securities Act. This Offering Memorandum does not constitute an offer of such Common Shares in the United States. We do not intend to register any of such Common Shares in the United States.

Mandra Acquisition and Issuance of New 2014 Senior Notes

On December 1, 2009, we entered into a memorandum of understanding with Mandra Forestry Finance Limited ("Mandra Forestry"), Mandra Forestry Holdings Limited ("Mandra") and certain holders of the US$195,000,000 12% guaranteed notes due 2013 issued by Mandra Forestry and guaranteed by Mandra (the "Mandra Notes") and certain warrants issued by Mandra (the "Mandra Warrants") (such holders, the "Mandra Holders"), regarding an exchange by the Mandra Holders of Mandra Notes in the aggregate principal amount of US$192.7 million and Mandra Warrants held by them, for new senior notes to be issued by us in the aggregate principal amount of US$187.7 million bearing interest at a rate of 10.25% per annum with a maturity date of July 28, 2014 (the "New 2014 Senior Notes"). As part of the exchange, we will pay each Mandra Holder a cash payment representing interest on its Mandra Notes, less interest on the New 2014 Senior Notes to be issued to such Mandra Holder, in each case that has accrued and is unpaid through (but excluding) the settlement date of the exchange, and less deductions of certain expenses of the Mandra Holders. The New 2014 Senior Notes will have substantially the same terms and conditions as our US$212,330,000 10.25% guaranteed senior notes due 2014 (the "2014 Senior Notes") and, solely upon satisfaction of certain conditions under the memorandum of understanding, the New 2014 Senior Notes will be consolidated and form a single series with the outstanding 2014 Senior Notes. If such conditions are not satisfied, the New 2014 Senior Notes will not be consolidated with the 2014 Senior Notes. Consummation of the exchange is conditioned on, among other things, the Mandra Holders' waiver of any and all defaults or events of default, if any, with respect to the Mandra Notes and, if requested, their consent to certain amendments to the indenture governing the Mandra Notes. For additional information on the terms and conditions of the 2014 Senior Notes, see "Description of Other Indebtedness—Outstanding 2014 Senior Notes."

We also currently have an agreement in principle, subject to definitive documentation and satisfaction of certain conditions, with Mandra Resources Limited and Morgan Stanley Dean Witter Equity Funding, Inc. ("Morgan Stanley") to acquire all of the outstanding common shares of Mandra not already owned by us for nominal consideration. We currently anticipate that pursuant to the terms of the indenture governing the Mandra Notes, if we acquire the common shares of Mandra, we will become a guarantor with respect to any Mandra Notes which we do not receive in the exchange that remain outstanding. If we are not able to acquire all of the outstanding Mandra Warrants contemporaneously with the acquisition of the share capital of Mandra, we may seek to acquire such remaining Mandra Warrants pursuant to a purchase option under the Mandra Shareholders Agreement (as defined herein). See "Business—Other more frequent sampling checks of our timber resources, which will, in turn, allow us to better analyze planting statistics, including growth conditions and the quality of our tree plantations. These will also allow us to maintain more stringent controls over our tree plantation management processes.

- **Maintain Strategic Alignment with PRC government's plans.** We align our strategies with the PRC government's published plans to increase forest coverage and productivity, and enhance rural employment. The Eleventh Five-Year Plan (2006-2010) calls for infrastructure improvement, social development in rural areas, and creation of regional markets. With respect to the forestry industry, the State Forestry Administration has announced plans to speed up the development of fast-growing, high-yielding plantation and forestry integration. The Chinese government indicated at the UN climate change summit held on September 22, 2009 that China is targeting to increase the country's forest coverage by 40 million hectares and forest stock volume by 1.3 billion cubic meters by 2020 to absorb carbon emissions, and increase the proportion of energy generated from bio-fuels. We anticipate the government will further advance the reform of the collectively-owned plantation rights system and commercialize the management of its state-owned forest plantations. Under our long-term master agreements, we will use the integrated plantation model to focus on replanting and converting plantation lands into fast-growing and high-yielding plantations.

Our Corporate Information

We were 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 Common Shares were listed and posted for trading on the TSX on October 12, 1995.

Our 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 our share capital. On June 25, 2002, we filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, we filed articles of amendment to reclassify our class A subordinate-voting shares as common shares on a one-for-one basis and to eliminate our authorized class B multiple-voting shares.

We have offices in Toronto, Canada, Hong Kong and the PRC. Our principal executive office is located at Room 3815-29, 38th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong Special Administrative Region, the PRC, and our telephone number is (852) 2877-0078. Our registered office is located at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, Canada L5B 3C3. Our telephone number at our registered office is (905) 281-8889.

Recent Developments

Current Cash Commitments

We have allocated approximately US$460.0 million, equal to approximately 74.6% of the US$616.5 million of cash, cash equivalents and short-term deposits held by us as of September 30, 2009, for future acquisitions of commercial plantation forests under master agreements primarily in Fujian and Jiangxi. Under the applicable master agreements, we have the right to acquire 200,000 hectares in Fujian and between 15 and 18 million cubic meters of fibre in Jiangxi over a period of time ranging from three to ten years. As of September 30, 2009 we have not purchased any hectares in Fujian and have purchased approximately 8,000 hectares at a cost of US$21.1 million in Jiangxi. For a description of the applicable master agreements, see "Business—Tree Plantations Under Management."

The Concurrent Equity Offering

We are conducting an offering of Common Shares to raise gross proceeds of approximately US$302,415,917 (or US$347,778,312 if the over-allotment option is exercised in full) in an underwritten government raised round wood export duties from 6.5% to 25% as of April 2008. In light of the expected decrease in natural forest wood supply from within the PRC due to regulatory restrictions on harvesting and outside of the PRC due to rising export duties by the governments of round wood exporting countries and the expected increase in demand for wood, we believe that sustainable tree plantations will play an increasingly important role in satisfying domestic demand in the future.

- **Recent changes in the forestry industry that favor sustainable plantations.** The wood processing industry has in recent years begun adapting to the increasing use of small diameter plantation wood by acquiring and using new machinery to facilitate processing of small diameter logs into reconstituted wood panels and engineered wood-based products. Plantation wood is more predictable than natural forest wood in terms of output quantity and quality. In recent years, there has been increasing emphasis on the expansion of fast growing hardwood plantations such as eucalyptus and poplar, which comprise a significant portion of our planted plantations. We believe that these developments will benefit us by increasing demand for logs and standing timber from our tree plantations, as well as increasing demand for wood-based products from our manufacturing plants.

Our Strategy

Our strategy is to build on our competitive strengths and business opportunities to become the leading plantation developer and wood resource supplier in the PRC. We are establishing operations in close proximity to PRC's key regional markets with the ability to effectively provide wood fibre products to downstream consumers in the wood panel, furniture, construction, interior decoration and pulp and paper industries. We believe the following key initiatives will allow us to successfully execute our strategy:

- **Expand our geographical locations, invest in additional tree plantations to gain access to long-term supplies of wood fibre, and develop regional wood fibre markets in the PRC by providing quality logs and value-added manufactured products.** We intend to increase our plantation area under management by investing in current geographic locations and by expanding into other geographic locations through acquisitions and sustainable replanting.

- **Improve the yields of our tree plantations through continued investment in research and development and application of advanced forestry management techniques.** We intend to further develop and improve our forestry breeding and silviculture through genetic improvement, tissue culture and cloning techniques, and fertilization, which should result in an increase in yields and fibre quality. To support these efforts, we intend to continue our investment in our research and development resources, and collaborate with PRC and overseas academic institutions.

- **Practice sustainable and environmentally responsible forestry and manufacturing.** Our forestry management practices follow a set of internal environmental principles, which are aimed at the sound management of natural resources. We will continue to implement and improve our environmental management systems to help improve the ecological and social environment of our tree plantations.

- **Build integrated manufacturing operations to supply value-added, wood-based products to the PRC market and further diversify our revenue streams.** Our downstream manufacturing operations produce value-added wood products to maximize fibre value. This is expected to further diversify our revenue streams.

- **Strengthen management processes and information systems to support the growth of our multi-faceted businesses.** We plan to invest in additional personnel, managers and technology in order to improve our management processes and information systems. As the area of our tree plantations continues to grow, we will have to develop additional systems and management personnel to achieve greater planning and operational control of our plantations. This will allow us to conduct

- **Strong research and development capability, with extensive forestry management expertise in the PRC.** We believe our ability to genetically breed faster-growing plantations and apply advanced silviculture techniques will allow us to shorten the harvest rotation, increase the amount of wood we extract from each hectare of land and improve profitability. We cooperate with a number of academic and scientific institutions in the PRC to steadily increase plantation yields, improve quality of harvested wood, maintain and enhance forest ecosystems and improve land productivity. Over the years, our research and development efforts have allowed us to improve our planting materials and our breeding and propagation methods, cultivation and management technology, tree protection, technology for sustainable plantation management, wood properties and processing, and ecological and environmental technology. Our plantation planning and management team has an in-depth understanding of local forestry markets and regulations, with a significant number of our employees and scientists formerly serving with locally renowned universities, local forestry bureaus and/or state-owned plantation farms.

- **Expertise in sustainable plantation development.** Our sustainable plantation management practices in the PRC are consistent with the PRC government's promotion of sustainable tree plantation development. We employ advanced forest management practices and adopt prudent environmental management of our tree plantations. Our scientific and conscientious approach to quality plantation management led us to receive the Forest Stewardship Council ("FSC") Certificate for certain areas of our planted plantation in Gaoyao, Guangdong Province, the first commercial tree plantation in the PRC to be granted and hold such accreditation.

- **Diversified revenue and asset base.** Our asset base and revenue are broadly diversified by geographic region, mix of tree species, end-use market served and business segment. Our tree plantations are located in the provinces of Guangdong, Guangxi, Hunan, Yunnan, Heilongjiang, Guizhou, Fujian and Jiangxi. Our primary tree species include eucalyptus, pine and Chinese fir plantations, and our wood fibres are ultimately used for infrastructure and construction materials, residential and commercial building materials, furniture, interior decoration and pulp and paper products.

- **Robust capital structure with demonstrated market access.** Despite our significant revenue growth in recent years, we believe we have maintained a robust capital structure with a proven ability to support our financing needs in the capital markets. In July 2008, we completed a US$345 million convertible note offering, and in June 2009, we completed a Cdn.$379.5 million equity offering.

Our Business Opportunities

We believe we are well-positioned to benefit from the following factors:

- **Strong and growing demand for wood fibre from downstream producers.** We believe that, as an upstream provider of wood fibre for downstream producers, we are well-positioned to benefit from increased demand for, and a limited supply of, wood fibre in the PRC. Pöyry estimates that domestic furniture production will grow approximately 11% per year between 2002 and 2010 and that consumption of paper and paperboard will exceed 60 million tons by 2010. PRC's leading consumer markets for wood fibre products are generally located in southern, south-western and eastern regions of the PRC in close proximity to our tree plantations. This allows us to efficiently meet the growing demand from these markets while minimizing transportation costs and delivery times.

- **Growing gap between domestic timber supplies and domestic demand as imported timber becomes increasingly expensive due to stringent logging bans in the PRC and abroad and increasing export tariffs in neighboring countries.** Wood shortage is a persistent phenomenon in the PRC. The shortfall between domestic wood consumption and supply in the PRC was historically met by imports, which comprised approximately 32 million cubic meters of logs in 2006, with approximately 68% of logs coming from Russia. In 2007, to stimulate domestic wood processing businesses, the Russian commitment to developing advanced breeding, planting and silviculture techniques applicable in China, will continue to benefit us in expanding our forestry resources in the future.

Our strategy is aligned with the objectives of the PRC government and State Forestry Administration to increase the country's forestry coverage, productivity and employment in rural areas. In 2006, we expanded our operations in inland regions such as the Hunan and Yunnan provinces, which aligned our expansion strategy with the PRC government's Eleventh Five-Year Plan (2006-2010) of rural and regional economic development. Leveraging our first mover advantage in these regions, we were able to secure plantations in strategic locations for long-term sustainable re-plantation.

We believe we are well positioned to benefit from the country's forestry reform and three-year Forestry Revitalization Plan (2010-2012) by collaborating with the Chinese forestry authorities and state-owned plantation entities to develop fast-growing high yielding ("FGHY") plantations to reduce the country's chronic wood deficit. We have gained recognition for our sustainable plantation development practices in the PRC, which we expect will help enable us to enter into additional long-term fibre agreements.

Our Competitive Strengths

We believe that we have the following strengths:

- **Leading commercial forest plantation operator in the PRC with established track record.** We are a leading commercial forest plantation operator in the PRC with approximately 474,000 hectares of tree plantations under management as of September 30, 2009. With a 14 year track record of managing forestry plantations in China, our use of advanced breeding, planting and silviculture techniques has enabled us to become a leading commercial forest plantation operator in the PRC. We believe that we are well positioned to maintain and expand our existing tree plantation resources under our existing long term master agreements and to grow our fibre base through other innovative strategies.
- **First mover advantage with strong track record of obtaining and developing commercial tree plantations and ability to leverage our industry foresight.** We were one of the first foreign companies to do business in the PRC's forestry sector and have a strong track record of obtaining, developing and cultivating commercial tree plantations since 1995. We believe that our proven ability to develop fast growing commercial tree plantations in the PRC, our reputation as a reliable partner and supplier of wood fibre and our capital structure position us as a preferred partner for commercialization of forestry plantation management in the PRC. Over the last 14 years, we have established strong relationships with local forestry bureaus, plantation owners, plantation service providers and wood dealers in the PRC. We believe that these relationships have supported the development of our tree plantation business in the past and will continue to benefit us in expanding our forestry resources in the future.
- **Future growth supported by long-term master agreements at agreed capped prices.** We have entered into long-term master agreements in the Hunan, Yunnan, Guangxi, Jiangxi and Fujian Provinces that give us the right to acquire up to approximately 1.1 million to 1.3 million hectares of tree plantations with predetermined maximum prices, to the extent permitted under the then applicable PRC laws and regulations, of which we have acquired approximately 348,000 hectares as of September 30, 2009. These agreements allow us to harvest the trees and provide us with the right to enter into long-term leases, typically up to fifty years, to replant the plantations with new improved seedlings. These long-term leases will enable us to benefit from several rotations of higher-yielding, faster growing plantations. We believe we will achieve significant growth by increasing the yields on our existing land leases, acquiring new tree plantations under our master agreements and by securing further master agreements.

We expect our integrated plantation model to allow us to provide the market with a sustainable source of fibre under our existing long-term master agreements and to generate sustainable cash flow by purchasing mature trees instead of acquiring younger trees and holding them until maturity. We lease the land of harvested plantations on a long-term basis, replant it with higher yielding trees species and apply advanced breeding, planting and silviculture techniques. These advanced techniques are designed to enable us to improve efficiency, grow more uniform trees, lower our operating and harvesting costs, and achieve higher fibre quality and output while minimizing the impact on the environment.

We are pursuing our strategy of migrating to an integrated plantation model, as well as securing access to future purchases of tree plantations. We have entered into long-term master agreements in Hunan, Yunnan, Guangxi, and Fujian Provinces since September 2006, which have provided us with access to an additional 400,000, 200,000, 150,000, and 200,000 hectares of standing timber, respectively. In June 2009, we also entered into a new long-term master agreement in the Jiangxi Province which provides for wood fibre purchases sourced from an area of between 150,000 and 300,000 hectares of plantation trees. As of September 30, 2009, we have acquired approximately 348,000 hectares under these agreements.

As of September 30, 2009, approximately 405,000 hectares (85.4%) of our plantations under management were purchased plantations and approximately 69,000 hectares (14.6%) were planted plantations. In the year ended December 31, 2008, we sold approximately 86,067 hectares (82.8%) of plantation fibre from our purchased plantations, 14,071 hectares (13.5%) from our integrated plantations, and 3,807 hectares (3.7%) from our planted plantations, for a total of 103,945 hectares. In the nine-month period ended September 30, 2009, we sold approximately 49,001 hectares (77.2%) of plantation fibre from our purchased plantations, 10,771 hectares (17.0%) from our integrated plantations and 3,696 hectares (5.8%) from our planted plantations, a total of 63,468 hectares.

Manufacturing and Other Operations Segment

Our manufacturing and other operations segment complements our wood fibre operations by maximizing the usage and adding value to the upstream fibre. This segment represents our secondary source of revenue and consists of sales of wood-based products, such as engineered wood flooring, sawn timber, finger-joint board, blockboard, plywood, veneer and other wood-based products manufactured at our own production plants. We currently operate manufacturing plants in the provinces of Jiangsu, Heilongjiang, Hunan, Yunnan and Guangxi. We also operate a greenery and nursery business based in Jiangsu Province. For the year ended December 31, 2008 and the nine-month period ended September 30, 2009, our manufacturing and other operations represented 7.0% (including revenue from the Gaoyao particleboard operation which was discontinued in 2009) and 4.0%, respectively, of our total revenue.

Growth Opportunities in China

Our fibre is sold in China, which is one of the fastest growing economies in the world, with 9% GDP growth in 2008. Increasing demand for wood products and wood fibre in the PRC continues to drive significant growth in our business. Increased purchasing power by the growing Chinese middle class and the fiscal initiatives implemented by the central government and provincial governments have resulted in significant spending on infrastructure and construction materials, residential and commercial building materials, the production of furniture, interior decoration and pulp and paper products. At the same time, China's restrictions on logging of natural forests, combined with lower volumes of imported logs, have resulted in a chronic wood fibre deficit, which has made it possible for us, as a leading commercial forest plantation operator in the PRC, to capitalize on these significant growth opportunities.

Over the last 14 years we have established strong relationships with local forestry bureaus, plantation owners, plantation service providers and wood dealers in the PRC. We believe that these relationships have strengthened the development of our business in the past and, coupled with our proven track record and

SUMMARY

This summary does not contain all the information that may be important to you in deciding whether to invest in the Notes. You should read the entire Offering Memorandum, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making such decision.

The Company

Overview

We are a leading commercial forest plantation operator in the PRC, with approximately 474,000 hectares of tree plantations under management located in eight provinces of the PRC as of September 30, 2009. In addition, we have entered into long-term master agreements in the provinces of Hunan, Yunnan, Guangxi, Jiangxi and Fujian that give us the right to acquire up to approximately 1.1 million to 1.3 million hectares of tree plantations. As of September 30, 2009, we have acquired approximately 348,000 hectares under these agreements. Our principal businesses include ownership and management of forest plantation trees, the sale of standing timber and logs, and complementary manufacturing of downstream engineered-wood products. For the year ended December 31, 2008 and for the nine-month period ended September 30, 2009, our total revenue was US$901.3 million and US$768.6 million, respectively.

Our vision is to become the leading commercial forest plantation operator and the preferred supplier of wood fibre to downstream consumers in the wood panel, furniture, construction, interior decoration and pulp and paper industries in the PRC. We intend to create value by effectively buying, selling and processing fibre, as well as enhancing the growth of our trees using advanced research and development and plantation management practices. We have developed our tree plantations in regions that have favorable climate and soil conditions for eucalyptus, pine and Chinese fir plantations, have access to key transportation routes and proximity to major population centers and industrial and consumer markets for wood panels, furniture, construction materials, interior decoration and pulp and paper products.

Our business operations are comprised of two core business segments. Our wood fibre operations are our main revenue contributor, while our manufacturing and other operations enable us to enhance the value of our fibre operations by producing downstream products.

Wood Fibre Operations Segment

Our wood fibre operations segment consists of acquiring, cultivating and selling standing timber or harvested logs from our purchased, planted or integrated plantations, selling wood logs sourced from PRC suppliers, and selling wood products imported from outside the PRC. The wood fibre operations accounted for 93.0% and 96.0% of our total revenue for the year ended December 31, 2008 and the nine-month period ended September 30, 2009, respectively.

We operate our plantations using three business models: purchased, planted and integrated. Under our purchased plantation model, we purchase young trees and subsequently sell these trees as standing timber when they reach maturity. This model allows us to capture value through wood fibre growth during the course of our ownership. Under our planted plantation model, we assess the suitability of land where the trees have been recently harvested. If we find the land to be suitable, we seek to lease the land under long-term lease agreements. For replanting and conversion into fast-growing high-yielding plantations, we cultivate the trees using improved breeding, planting and silviculture techniques and sell the trees as standing timber. Under our integrated plantation model, instead of selling the trees from purchased or planted plantations as standing timber, the trees are harvested and sold as logs or manufactured goods and we have the option to enter into long-term leases, typically for up to 50 years, under which we can plant and subsequently harvest several rotations of trees.

internally developed estimates. Some of the market information provided under the heading "PRC Forestry Industry Overview" was taken from the PRC State Forestry Administration's Seventh Enumeration of the Nation's Forest Resources, dated as of November 17, 2009, Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007, dated March 14, 2008 (the "2008 Pöyry Report") and Sino-Forest Corporation Valuation of China Forest Crop Assets as at 31 December 2008, dated April 1, 2009 (the "2009 Pöyry Report," together with the 2008 Pöyry Report, the "Pöyry Reports"), prepared by Pöyry Forest Industry Pte. Ltd. ("Pöyry"), a consulting and engineering firm specializing in the forest industry sector. We commissioned the Pöyry Reports to provide us with, among other things, PRC forestry industry data and a valuation of our forestry assets.

While we have compiled, extracted, reproduced or incorporated by reference market or other industry data from external sources, including third parties, analysts or industry or general publications, we have not independently verified that data. Information in this Offering Memorandum which is based on or incorporated by reference from third-party sources has been accurately reproduced and, as far as we are aware and are able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, we cannot assure investors of the accuracy and completeness of, or take any responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Offering Memorandum.

While we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and we cannot assure potential investors as to their accuracy or that a third party using different methods to assemble, analyze or compute market data would obtain the same result. We do not intend to, and do not, assume any obligations to update industry or market data set forth in this Offering Memorandum. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors should be aware that data in this Offering Memorandum and estimates based on that data may not be reliable indicators of future results.

PRESENTATION OF FINANCIAL INFORMATION

We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which differ in certain material respects from generally accepted accounting principles in the United States ("U.S. GAAP"), as discussed in the section headed "Summary of Certain Differences between Canadian GAAP and U.S. GAAP" below. Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada.

Our reporting currency is the U.S. dollar.

- our evaluation of our provision for income and related taxes;
- the cyclical nature of the forest products industry, price fluctuations for wood products and logs, and the demand and supply of logs;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- other operating risks and factors referenced in this Offering Memorandum; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this Offering Memorandum. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives, and cautions readers that the information may not be appropriate for other purposes. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as of the date of this Offering Memorandum. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Memorandum might not occur.

AVAILABLE INFORMATION

During any period in which we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, we will furnish, upon request, to each holder of our Notes or Conversion Shares, or any prospective purchaser designated by any such holder, information satisfying the requirements of Rule 144A(d)(4)(i) under the Securities Act to permit compliance with Rule 144A in connection with resales of our Notes or Conversion Shares for so long as any such Notes or Conversion Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act. So long as any of the Notes remains outstanding, we will provide to the Trustee for forwarding to the holders of the Notes our quarterly and annual financial statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are organized under the federal laws of Canada. All of our directors and officers and certain of the experts named herein reside outside the United States and all or a substantial portion of their assets and substantially all of our assets are located outside the United States. Therefore, it may not be possible for you to effect service of process within the United States against such persons or us or to enforce in the United States judgments rendered against them or us. In addition, you should not assume that the courts of Canada (i) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States, or (ii) would enforce, in original actions, claims against us or such persons predicated upon the U.S. federal securities laws.

INDUSTRY AND MARKET DATA

The information regarding markets, market size, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum consists of estimates based on data reports compiled by consulting and engineering firms, data from other external sources, such as the PRC State Forestry Administration, and our knowledge of sales and markets. In certain cases, there is no readily external information to validate market-related analyses and estimates, requiring us to rely on

"Wholly foreign-owned enterprise" or "WFOE" means an enterprise established in the PRC in accordance with the relevant PRC laws, with capital provided solely by foreign investors. Such enterprises do not include branches and offices established in the PRC by foreign enterprises and other economic entities.

Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements. All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "anticipate," "seek," "should" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future including assumptions regarding expected yields, future wood fibre prices, business and operating strategies, and our ability to operate our production facilities and plantations on a profitable basis. Important risk factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- political, social and economic considerations in the PRC;
- restrictions on foreign currency convertibility and remittance abroad;
- exchange rate fluctuations and changes in interest rates;
- developing legal system in the PRC;
- regulations and restrictions;
- change in policies, laws or regulations in the PRC;
- export tariffs imposed by the governments of timber exportation countries, including Russia;
- governmental approval processes;
- our ability to expand and manage our tree plantations;
- our business and operating strategies;
- our capital expenditure and forestry development plans;
- the amount and nature of, and potential for, future development of our business and new projects;
- our ability to acquire rights to additional standing timber;
- our ability to meet our expected plantation yields;
- our ability to rely on authorized intermediaries, key customers, suppliers and third party service providers;
- our ability to operate our production facilities on a profitable basis;

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATION OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company" and words of similar import, we are referring to Sino-Forest Corporation itself, or to Sino-Forest Corporation and its consolidated subsidiaries, as the context requires.

All references in this Offering Memorandum to "U.S. dollars" and "US$" are to United States dollars; all references to "Canadian dollars" and "Cdn.$" are to Canadian dollars; all references to "H.K. dollars" and "HK$" are to Hong Kong dollars; all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China, or the "PRC"; and all references to "€" or "Euro" are to Euros. Solely for the convenience of the reader, this Offering Memorandum contains translations of certain Canadian dollar, H.K. dollar and Renminbi amounts into U.S. dollars. All such translations have been made at the rate indicated thereof being the noon buying rate in The City of New York for cable transfers in Canadian dollars, Renminbi or Euro, as applicable, as certified for customs purposes by the Federal Reserve Bank of New York on the date indicated thereof. All such H.K. dollar translations have been made at the rate of HK$7.824 to US$1.00, the linked exchange rate between such currencies under policies of the Hong Kong government in effect as of the date of this Offering Memorandum. On December 7, 2009, the noon buying rate for cable transfers in Renminbi was RMB6.8292 to US$1.00. See "Exchange Rates." All translations in this Offering Memorandum are provided solely for your convenience, and no representation is made that the Canadian dollar, H.K. dollar or Renminbi amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

References to "the People's Republic of China" or to the "PRC," for purposes of this Offering Memorandum, do not include the Hong Kong Special Administrative Region, or Hong Kong, the Macau Special Administrative Region, or Taiwan.

"PRC government" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof.

A hectare is a metric unit of area equal to 10,000 square meters or approximately 2.471 acres.

"Cooperative joint venture" or "CJV" means a Sino-foreign cooperative joint venture enterprise with limited liability established in the PRC under the relevant PRC laws and regulations which provides, among other things, that the distribution of profit or loss and the control of the joint venture company is entirely based on the joint venture contract and not on the joint venture parties' contributions to the registered capital of the joint venture.

THE NOTES (INCLUDING THE SUBSIDIARY GUARANTEES ATTACHED THERETO) AND THE CONVERSION SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES, ANY OTHER U.S. REGULATORY AUTHORITY OR THE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY OF ANY NON-U.S. JURISDICTION, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES (INCLUDING THE SUBSIDIARY GUARANTEES ATTACHED THERETO) OR THE CONVERSION SHARES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES AND MAY BE A CRIMINAL OFFENSE IN OTHER JURISDICTIONS.

We have provided information contained in this Offering Memorandum and have also relied on other identified sources. The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and you should not rely on anything contained in this Offering Memorandum as a promise or representation by the Initial Purchasers. By purchasing the Notes offered by this Offering Memorandum, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and to have made certain acknowledgements, representations and agreements as set forth under the caption "Transfer Restrictions" in this Offering Memorandum. You may not reproduce or distribute this Offering Memorandum, in whole or in part, and you may not disclose any contents or use any information in this Offering Memorandum for any purpose other than considering an investment in our Notes offered hereby. By accepting delivery of this Offering Memorandum, you agree to these terms.

IN CONNECTION WITH THE ISSUE OF THE NOTES, CREDIT SUISSE SECURITIES (USA) LLC OR ITS AFFILIATES, AS THE STABILIZING MANAGER (THE "STABILIZING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER), MAY OVERALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAT THAT WHICH MIGHT OTHERWISE PREVAIL, IN COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATORY REQUIREMENTS. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTIONS. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OF OVERALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

THIS OFFERING MEMORANDUM CONTAINS STATISTICAL AND FINANCIAL DATA FROM INDUSTRY PUBLICATIONS AND OTHER THIRD PARTY SOURCES. ALTHOUGH WE BELIEVE THE INFORMATION TO BE CORRECT, WE HAVE NOT INDEPENDENTLY VERIFIED SUCH DATA AND THEREFORE WE CANNOT ASSURE YOU THAT IT IS COMPLETE OR RELIABLE. SUCH DATA MAY ALSO BE PRODUCED ON DIFFERENT BASES FROM THOSE USED IN OTHER COUNTRIES. THEREFORE, DISCUSSIONS OF MATTERS RELATING TO THE PRC, DIFFERENT REGIONS AND MARKETS WITHIN THE PRC, THEIR RESPECTIVE ECONOMIES AND OUR INDUSTRIES IN THIS OFFERING MEMORANDUM ARE SUBJECT TO THE CAVEAT THAT THE STATISTICAL AND OTHER DATA UPON WHICH SUCH DISCUSSIONS ARE BASED MAY BE INCOMPLETE OR UNRELIABLE.

This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time after that date.

We, having made all reasonable inquiries, confirm that (i) this Offering Memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this Offering Memorandum and the Notes (including the Subsidiary Guarantees attached thereto) and the Common Shares that is material in the context of the offering; (ii) the statements contained in this Offering Memorandum relating to us and our subsidiaries and affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates and the Notes (including the Subsidiary Guarantees attached thereto) and the Common Shares, the omission of which would, in the context of the offering, make this document, as a whole, misleading in any material respect; and (v) we have made all reasonable inquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This Offering Memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this Offering Memorandum before making a decision whether to purchase the Notes. You must not use this Offering Memorandum for any other purpose, or disclose any information in this Offering Memorandum to any other person.

You should rely only on the information contained in this Offering Memorandum. We have not, and the Initial Purchasers have not, authorized any other person to provide you with information that is different from what is contained in this Offering Memorandum. This Offering Memorandum may only be used where it is legal to offer and sell these securities. The information appearing in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum or otherwise as of the date specifically referred to in connection with the particular information. Our business, financial condition, results of operations and prospects may have changed since that date.

You may not construe the contents of this Offering Memorandum as investment, legal or tax advice. You should consult your own professional advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes. In making any investment decision regarding the Notes, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. In addition, there may be legal restrictions on the distribution of this Offering Memorandum or this offering in certain jurisdictions. If you come into possession of this Offering Memorandum, we and the Initial Purchasers require that you inform yourself about and observe any such restrictions. For a further description of certain restrictions on this offering, and the offer, sale or resale of our Notes and Conversion Shares, see "Plan of Distribution" and "Transfer Restrictions." Neither we nor the Initial Purchasers are making any representation or warranty to any offeree or purchaser of the Notes regarding the legality of an investment in the Notes by such offeree or purchaser under applicable legal investment or similar laws or regulations.

Prospective purchasers are hereby notified that sellers of the securities (the Notes, the Subsidiary Guarantees and the Conversion Shares) may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. No action is being taken to permit a public offering of the Notes or the Conversion Shares in any jurisdiction where action would be required for such purposes.

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OFFERING MEMORANDUM

CONFIDENTIAL

US$400,000,000

Sino-Forest Corporation

(a company existing under the laws of Canada with limited liability)

4.25% Convertible Senior Notes due 2016

We are offering US$400,000,000 principal amount of our 4.25% Convertible Senior Notes due 2016 (the "Notes"). The Notes will bear interest at the rate of 4.25% per year, payable semi-annually on June 15 and December 15 of each year, beginning on June 15, 2010. The Notes will mature on December 15, 2016. The Notes will be our general senior unsubordinated obligations guaranteed by certain of our subsidiaries organized outside the PRC that have also guaranteed our existing significant obligations.

Holders may convert their Notes into our common shares ("Common Shares"), at any time prior to the close of business on the business day immediately preceding the stated maturity date of the Notes based on an initial conversion rate of 47.2619 Common Shares per US$1,000 principal amount of Notes (equivalent to an initial conversion price of approximately Cdn.$22.26, based on a fixed exchange rate applicable on conversion of the Notes of US$1.00 = Cdn.$1.05205), subject to adjustment. Upon conversion, at our option, we may elect to deliver, in lieu of Common Shares, cash or a combination of cash and Common Shares. Upon conversion, a holder will not receive any additional cash payment or additional Common Shares representing any accrued but unpaid interest, except in limited circumstances. Instead, accrued but unpaid interest will be deemed to be paid by our Common Shares (or any cash in lieu of all or a portion thereof) received by the holder on conversion. Holders who convert their Notes in connection with certain make-whole fundamental changes may be entitled to a make-whole premium upon conversion in some circumstances. Our Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "TRE". On December 10, 2009, the last quoted sale price of Common Shares was Cdn.$16.80 per Common Share. The TSX has conditionally approved the listing of the Common Shares issuable upon conversion of the Notes.

If we experience a fundamental change, we will be required to make an offer to each holder to purchase for cash all or a portion of its Notes at such holder's option.

The Notes are being offered to qualified institutional buyers, as defined in, and in reliance on, Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933, as amended (the "Securities Act") and to persons outside the United States in accordance with Regulation S ("Regulation S") under the Securities Act.

Concurrently with this offering, we are conducting an underwritten offering of Common Shares to raise gross proceeds of approximately US$302,415,917 (or US$347,778,312 if the underwriters in that offering exercise their over-allotment option in full) in an underwritten offering pursuant to a Canadian short form prospectus and an international offering memorandum (the "Equity Offering"). The Canadian dollar proceeds of the Equity Offering have been translated into U.S. dollars solely for the convenience of the reader using the Noon Buying Rate provided by the Federal Reserve Bank of New York on December 7, 2009 of Cdn.$1.0555 to US$1.00. The Common Shares being offered and sold in the Equity Offering have not been and will not be registered under the Securities Act. This Offering Memorandum does not constitute an offer of such Common Shares in the United States. We do not intend to register any of such Common Shares in the United States. This offering of Notes is not contingent upon the consummation of the Equity Offering, and the Equity Offering is not contingent upon the consummation of this offering of Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

Offering Price: 100%

Plus accrued interest, if any, from December 17, 2009

Neither the Notes nor the Common Shares issuable upon conversion of the Notes (the "Conversion Shares") have been registered under the Securities Act or any other securities laws. Neither the Notes nor the Conversion Shares may be offered or sold in the United States or any other jurisdiction where such registration is required and has not been effected, except in a transaction not subject to, or exempt from, the registration requirements of the Securities Act and any other applicable securities laws. See "Transfer Restrictions."

The Initial Purchasers (as defined below) may also purchase up to an additional US$60,000,000 principal amount of Notes within 30 days from the date of this Offering Memorandum to cover over-allotments, if any.

The Notes will be ready for delivery in book-entry form only through the facilities of The Depository Trust Company ("DTC") on or about December 17, 2009.

Joint Book-Running Managers

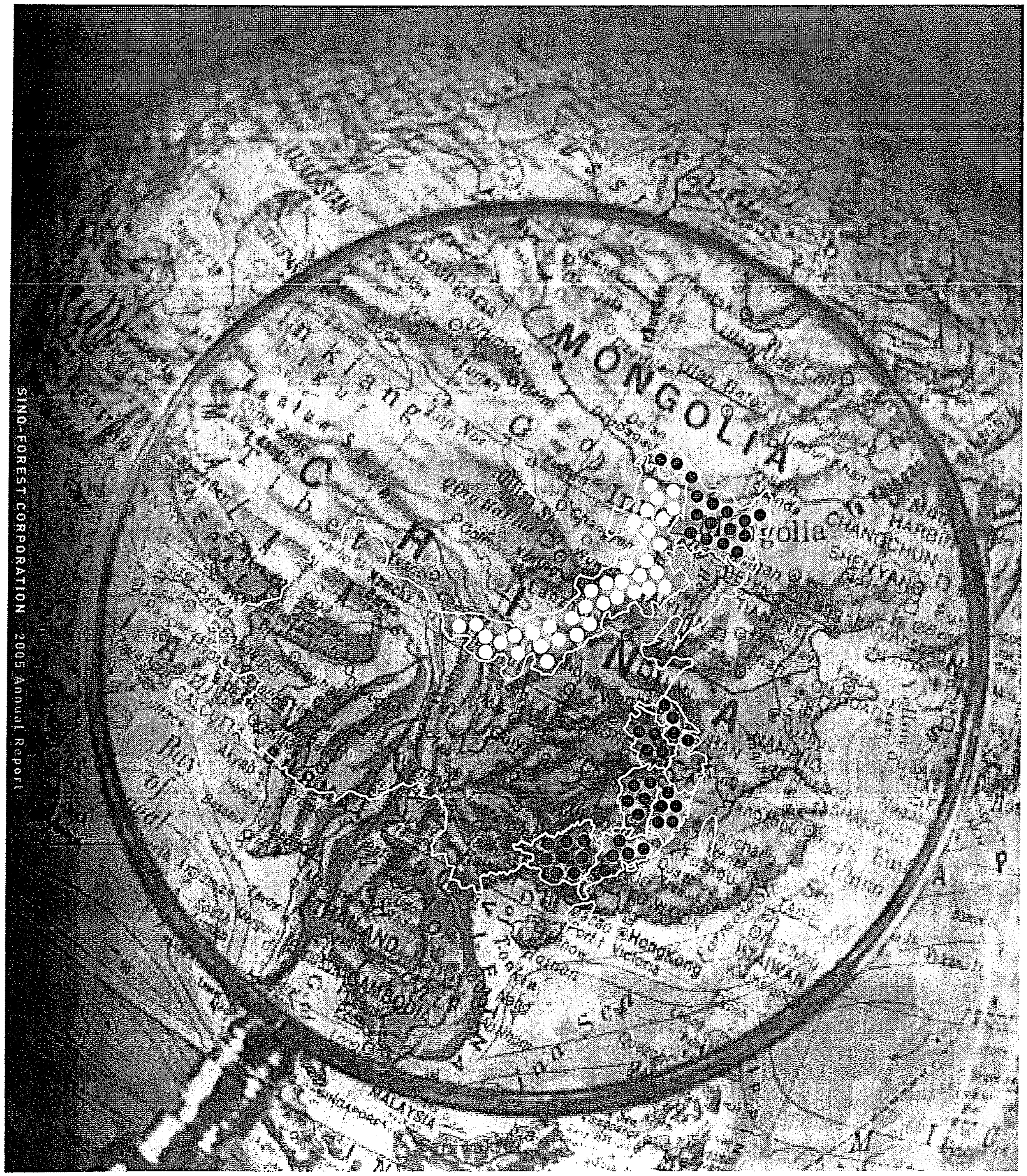
Credit Suisse **BofA Merrill Lynch** **TD Securities**

The date of this Offering Memorandum is December 10, 2009.

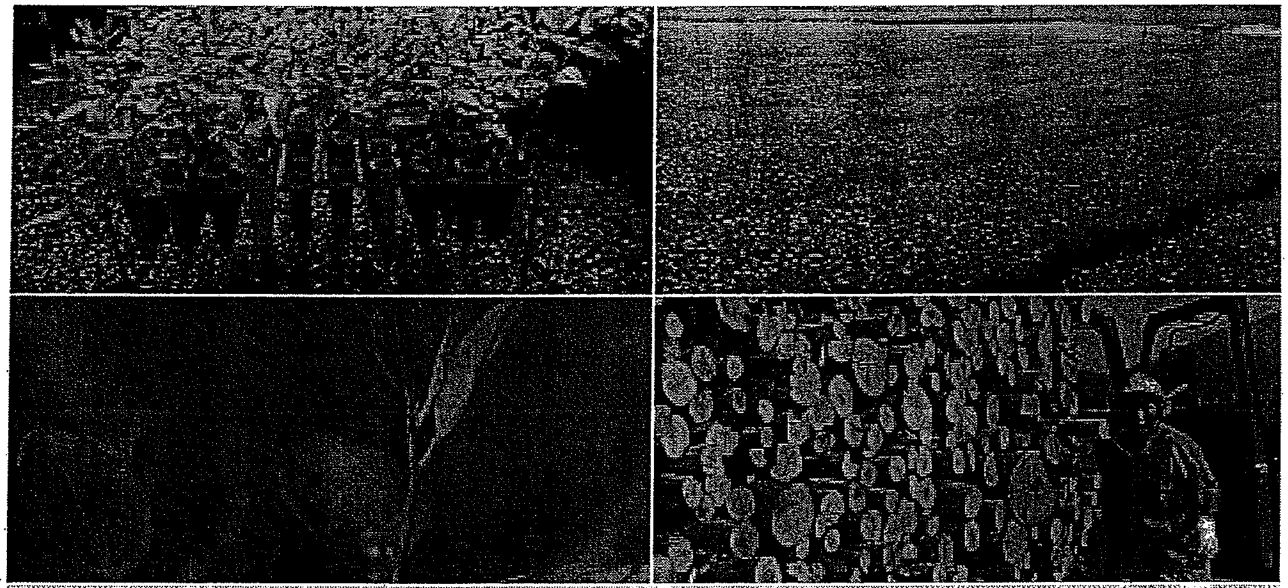
TAB F

This is Exhibit "F" referred to in the
Affidavit of Diana Correia,
sworn before me this 20th
day of August, 2012

Person Authorized to take Affidavits



NEW

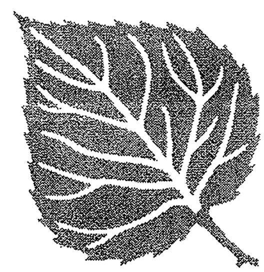


SINO-FOREST CORPORATION IS THE LEADING COMMERCIAL FORESTRY PLANTATIONS OPERATOR IN CHINA. THE CANADIAN CORPORATION BEGAN OPERATIONS IN 1994 AS THE FIRST FOREIGN AND PRIVATELY MANAGED COMPANY INVOLVED IN FOREST PRODUCTS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC"). ITS PRINCIPAL BUSINESSES INCLUDE THE OWNERSHIP AND MANAGEMENT OF FORESTRY PLANTATION TREES AND THE SALES AND TRADING OF LOGS, TIMBER AND WOOD CHIPS. SINO-FOREST IS A LEADING SUPPLIER OF QUALITY WOOD FIBRE WITH COMPLEMENTARY, DOWNSTREAM WOOD PRODUCT OPERATIONS. ITS EXECUTIVE OFFICES ARE IN HONG KONG AND TORONTO, AND ITS COMMON SHARES TRADE ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL TRE.

CONTENTS

Sino-Forest Key Accomplishments in 2005

- Increased total plantation area under management 34% to 324,000 hectares
- Revenue increased 49%, nearly achieving the $500-million milestone
- EBITDA more than doubled to over $250 million
- Net income improved 55% to $82 million, and 37% per share fully diluted
- Cash flows from operations augmented 65% to almost $200 million
- Share price rose 44% in 2005 to nearly $5 at year end.



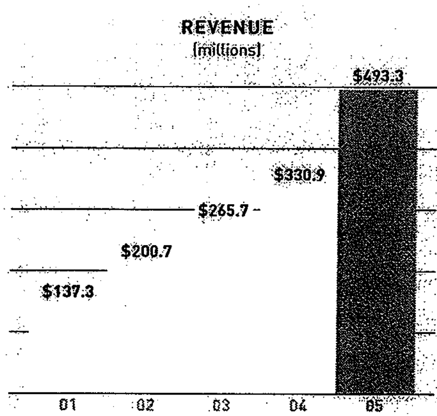
SUMMARY OF FINANCIAL DATA

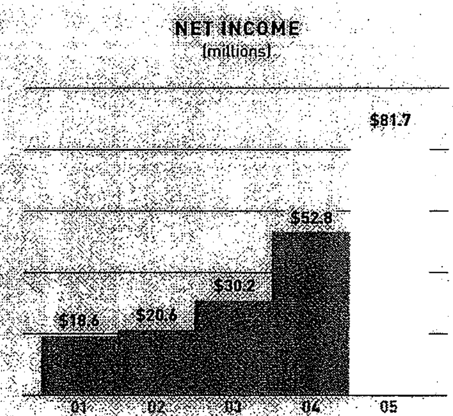
U.S. dollars	**2005** **$**	2004 $	Annual Change %	Five-year CAGR* %
Hectares of trees acquired	**175,214**	110,644	58	—
Hectares of trees under management at year end	**324,000**	242,000	34	—
Hectares of trees sold	**108,013**	37,369	189	—
Revenue (millions)	**493**	331	49	31
Gross profit (millions)	**137**	102	35	29
Gross profit margin	**28%**	31%	-3 pts	—
EBITDA (millions)	**256**	125	105	50
Net income (millions)	**82**	53	55	25
Diluted earnings per share	**0.59**	0.43	37	15
Cash flow from operating activities (millions)	**196**	119	65	49
Cash and cash equivalents, end of year (millions)	**108**	201	-46	43
Total Assets (millions)	**895**	756	18	32
Return on equity	**17%**	14%	+3 pts	—
Share price at year end (in Canadian dollars)	**4.94**	3.43	44	38
Market capitalization at year end (in millions of Canadian dollars)	**681**	469	45	54

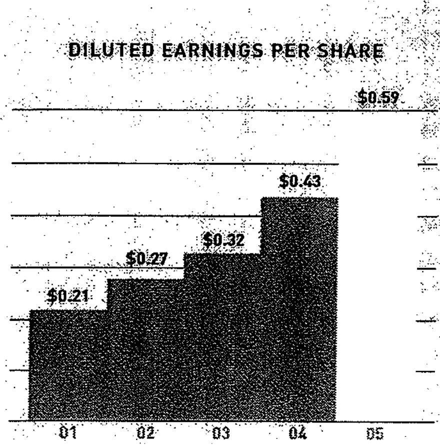
** Compound average annual growth rate from 2000 to 2005*

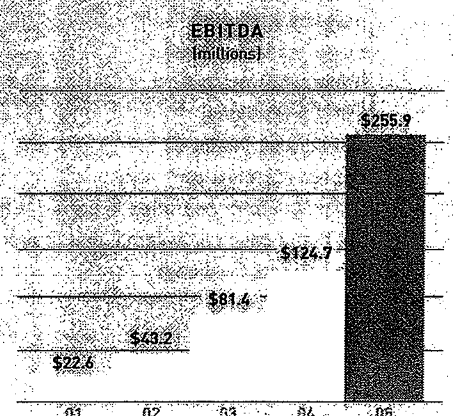
FINANCIAL OVERVIEW

SINO-FOREST WAS A FIRST MOVER INTO THE CHINA FOREST PLANTATION MARKET IN 1994, AND HAS SINCE GENERATED A STRONG TRACK RECORD OF EXCEPTIONAL GROWTH AND PROSPERITY — GROWING ITS TOP-LINE REVENUE BY A COMPOUND AVERAGE 34% PER ANNUM AND ITS BOTTOM-LINE DILUTED EARNINGS PER SHARE BY 20% PER ANNUM. THE CORPORATION HAS ALSO BROADLY DIVERSIFIED ITS SOURCES OF INCOME BY GEOGRAPHIC REGION, TREE SPECIES AND TYPE OF SERVICE, MAINTAINING A LEADERSHIP POSITION IN SUSTAINABLE FORESTRY MANAGEMENT AND COMMUNITY INVOLVEMENT.

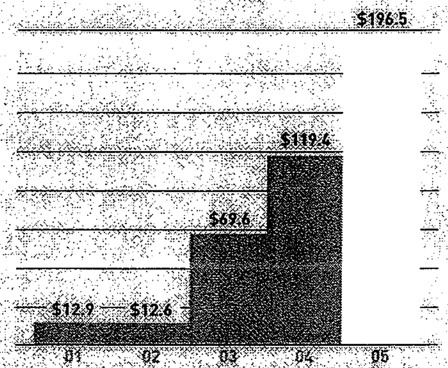




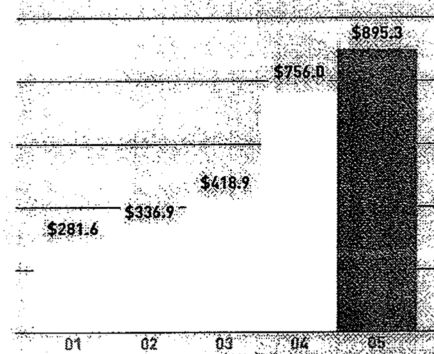




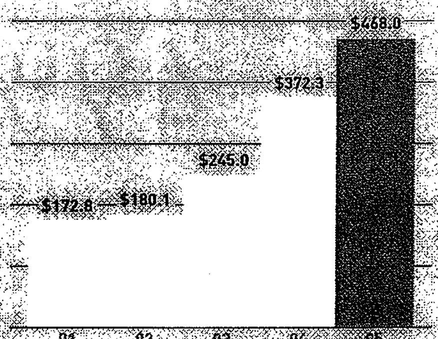
CASH FLOW FROM OPERATING ACTIVITIES
(millions)



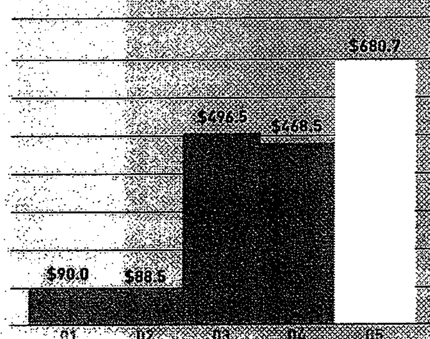
TOTAL ASSETS
(millions)



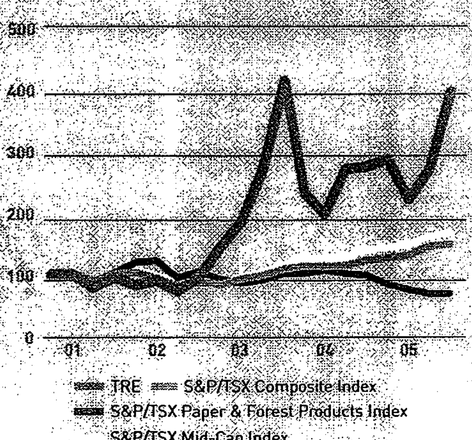
SHAREHOLDERS' EQUITY
(millions)



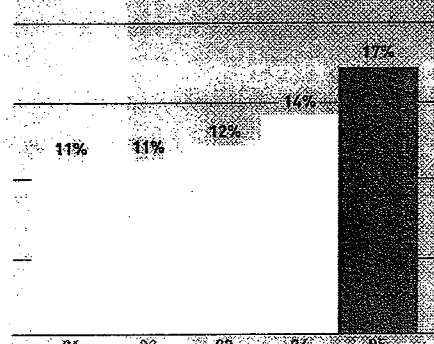
YEAR-END MARKET CAPITALIZATION
(in millions of Canadian dollars)



TRE VERSUS S&P/TSX INDICES

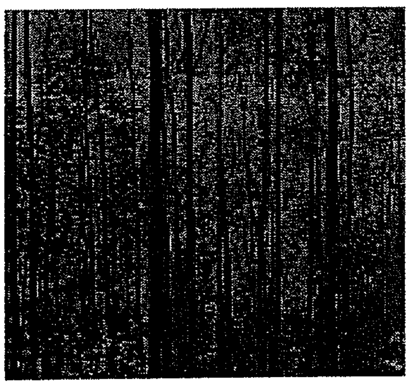
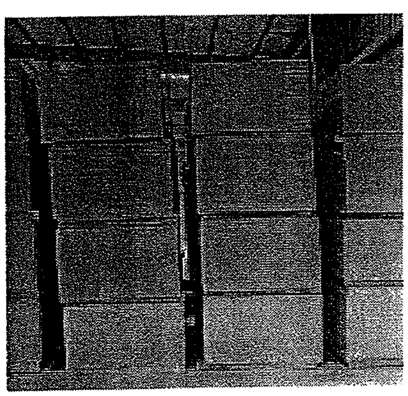


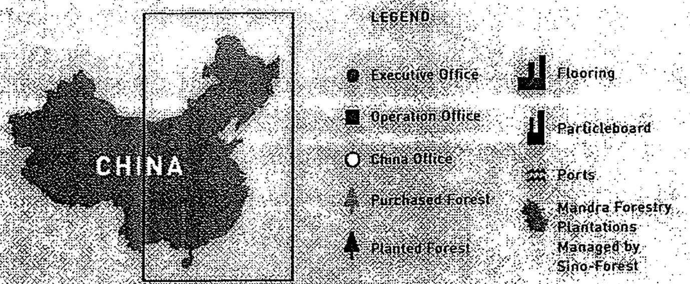
AVERAGE RETURN ON EQUITY

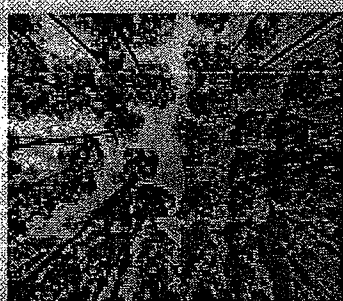


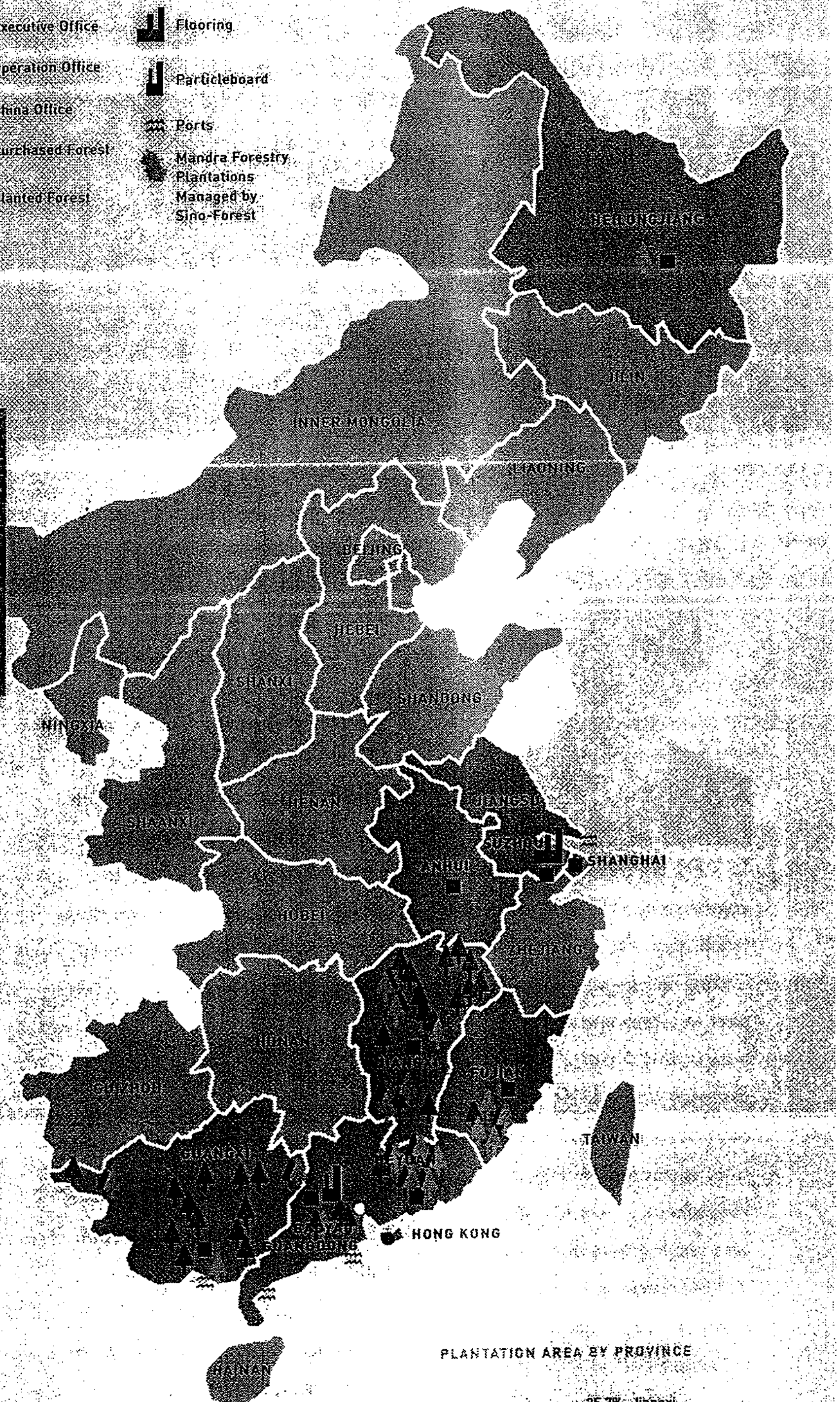
SINO-FOREST AT A GLANCE

THE CORPORATION PROVIDES WOOD FIBRE AND MANUFACTURED WOOD PRODUCTS TO THE CONSTRUCTION, HOUSING, FURNITURE, INTERIOR DECORATION AND PULP & PAPER INDUSTRIES. IT COMBINES GENETICALLY ENHANCED AND SUSTAINABLY MANAGED PLANTATIONS WITH ENGINEERED WOOD PROCESSING TECHNOLOGY TO MAXIMIZE THE VALUE OF ITS WOOD RESOURCES.

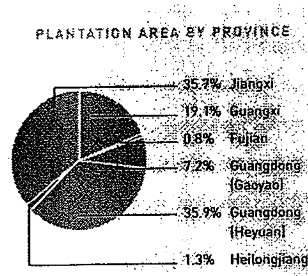
	MAJOR STREAMS OF INCOME	PERCENT OF 2005 REVENUES
	**PLANTATIONS AND STANDING TIMBER** At either "purchased" or "planted" plantations, we acquire and sell mature trees and re-plant trees on the leased land, or we acquire young trees and professionally cultivate them to maturity before selling the standing timber.	49%
	**WOOD CHIPS AND LOGS** We sell wood chips and logs sourced from other suppliers in China; we also receive fees and commission income generated from wood chip agency sales.	32%
	**WOOD-BASED PRODUCTS** We source and sell imported products such as logs, veneer, sawn lumber; we also manufacture and sell particleboard, melamine faced chipboard and sawn timber; and we sell flooring and nursery products and services.	20%



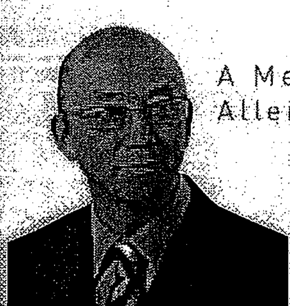




- With its economy growing at 8-9% annually, China has a significant deficit between roundwood supply and demand.
- At year end 2005, Sino-Forest had 324,000 hectares of plantation trees under management. According to independent forestry experts, Jaakko Pöyry Consulting, the merchantable standing volume on this land (excluding trees less than 4 years old on approximately 17,000 hectares) represents almost 24 million cubic metres (m³) of wood fibre supply for domestic markets.



OUR ADAPTABILITY AND INNOVATION ENABLE US TO GROW AND PROSPER



A Message from Allen Chan

In 2005, we made great strides in augmenting our supply of trees and wood fibre. We continued to be the leading commercial wood fibre supplier in China and to deliver outstanding financial results. After investing about $270 million in the acquisition of 175,214 hectares of trees, including the Heyuan Undertaking, our total plantation area under management increased to 324,000 hectares by year end. Sino-Forest is in a formative stage — building a critical mass of trees to provide a steady supply of quality fibre to China's huge, growing markets and generate a strong, growing stream of cash flow from operations.

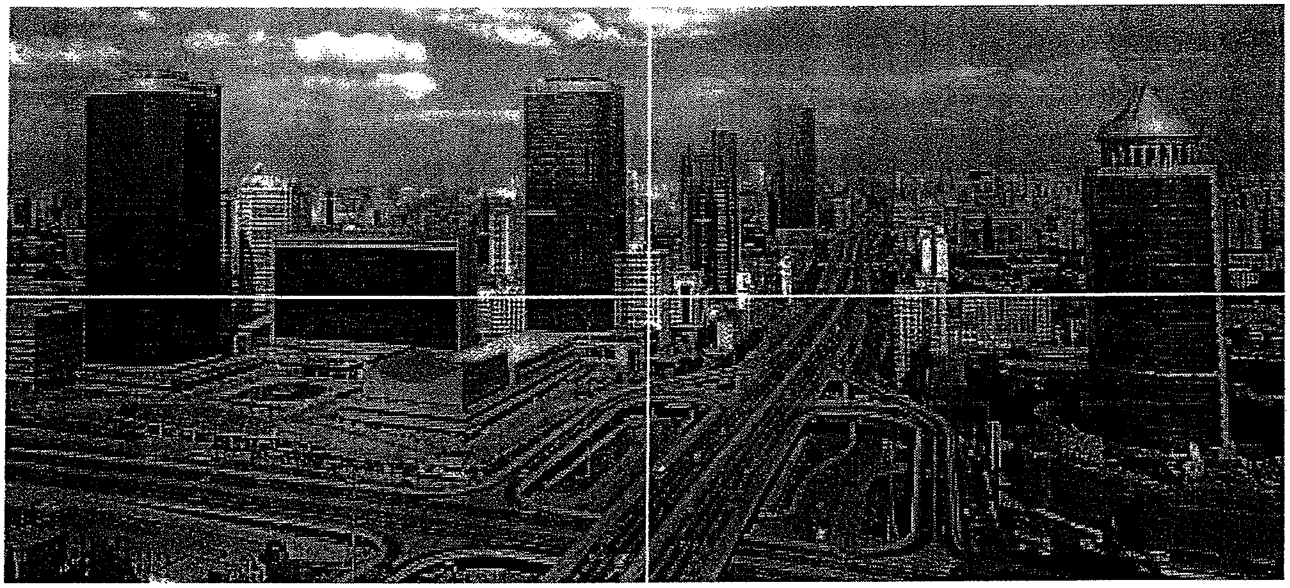
We will break new ground as we continue to expand, adapt and innovate, in step with China's 11th five-year plan (2006-2010). All the while, we remain committed to developing a sustainable wood fibre supply, diversifying our sources of income as we grow.

FINANCIAL PERFORMANCE

By year end 2005, we had almost crossed the important financial milestones of $900 million in assets, $500 million in revenue and $200 million in cash flow from operations. As Sino-Forest reported increasingly impressive earnings per share from quarter to quarter, we work harder to communicate our success story to investment communities around the world. And while the North American forest product sector faced difficulties, the stock

OUR COMPETITIVE ADVANTAGES

- ***Strategically Located Plantations*** *in suitable climates for fast-growing species, near major transportation arteries and manufacturing hubs*
- ***Qualified Management*** *with a solid track record of prosperous growth, valuable market knowledge, and expertise in high-yield and sustainable forestry*
- ***Strong, Growing Market Position*** *in a fragmented industry, and valuable business relations with forestry bureaus, customers and suppliers*
- ***Solid Financial Condition*** *— facilitating access to capital to fund future growth*



CHINA'S FLOURISHING ECONOMY HAS CREATED ENORMOUS DEMAND FOR WOOD FIBRE

market attributed a more justifiable price multiple to Sino-Forest's earnings potential, resulting in a year-end stock price increase of 44%, and a compound average annual increase of 18% since we started business in 1994.

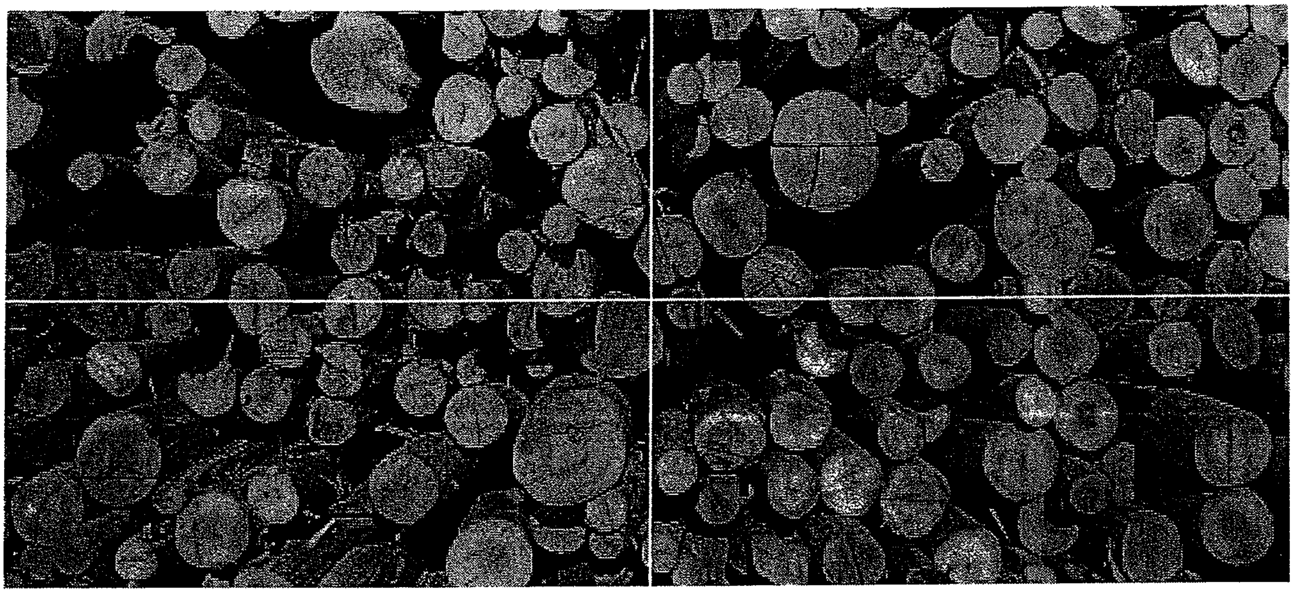
ADAPTING TO CHANGING MARKETS

We have learned to adapt to the fast-changing, political and economic environments of the PRC, which is comprised of many, large, flourishing regional economies. Extensive infrastructure development, mounting direct foreign investment, increasing urbanization, a fast-growing middle-income class and higher home ownership are collectively driving enormous demand for wood fibre in the construction, furniture and pulp & paper industries. The PRC recognizes the critical importance of supporting professionally managed, commercial forest plantations as a solution to the country's growing wood deficit. And the timber market system is undergoing reform with gradual market-oriented liberalization.

China's forestry sector has many markets in a fragmented industry. Although we are the leading commercial wood fibre supplier in the country, there are abundant opportunities to further grow our market share and build our timber portfolio. By being adaptable and innovative, over the past decade, we established competitive advantages that have served our stakeholders well. As early entrants in the industry, we have accumulated a large portfolio of trees on land leased long-term. We have built key, trustful relationships at local and national levels, working in unison with government authorities and academic institutions. And we have developed strong R&D capabilities, adopted forest management best practices, and taken a leadership role in sustainable forest development. We are proud to be at the forefront of our industry.

STRATEGIC INSIGHT AND VISION

For more than a decade, we have gained an in-depth knowledge and understanding of market opportunities and challenges in China. We have looked into the future, set clear objectives, and adopted a strategy that leverages our competitive strengths and paves the way to continued financial success.



BREAKING NEW GROUND WITH SUCCESSFUL STRATEGIES

To strengthen our market position, we will further expand and diversify our sources of income. Ten years ago, we started along the south-east coastal provinces and close to the major transportation arteries. As economic development continues and gradually moves inland, Sino-Forest's strategy is to expand its access to trees and occupy plantations both inland and north, where they are less sought after. We are striving to be a first mover in geographically widespread locations, before other industry players. Our extensive network and forest industry insights give us the ability to identify investment opportunities that fit strategically within our long-term plans. Expanded operations will give Sino-Forest the capacity to supply a larger base of customers, and to maintain a low-cost advantage through economies of scale.

We will utilize our expertise in tree and fibre knowledge, and our growing experience in manufacturing to maximize the value of our wood resources. Above all, we will manage our businesses in a sustainable manner — in harmony with nature and local communities.

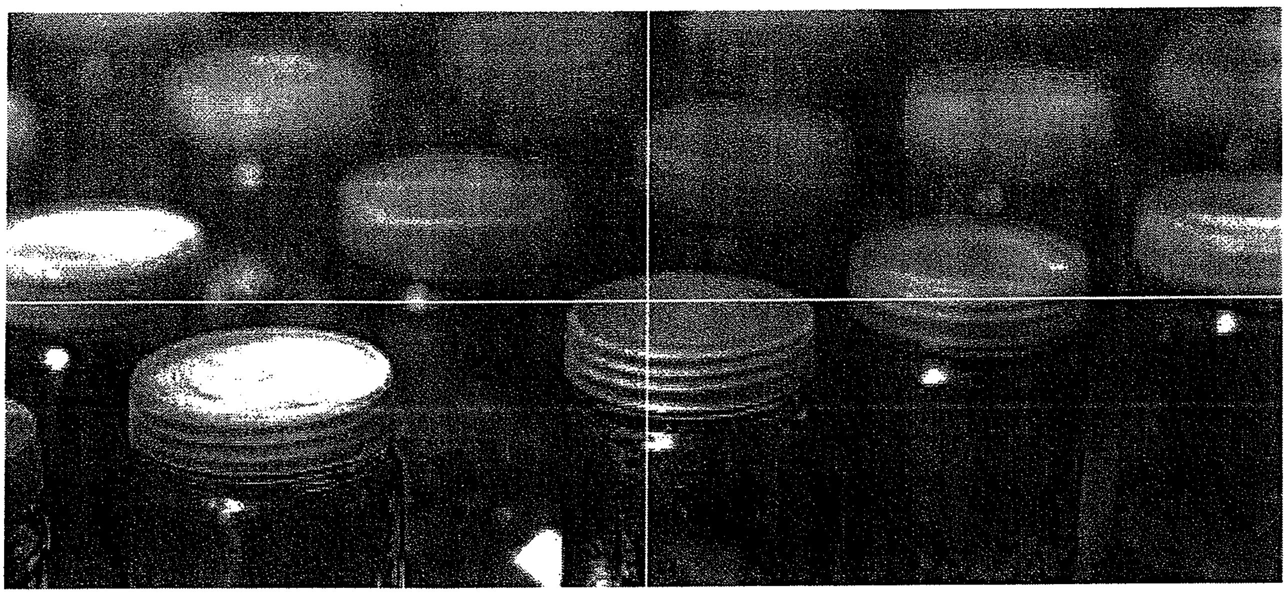
FOCUSING ON STANDING TIMBER

Our business strategy has evolved over the years, as we adapt and innovate. We are gradually shifting our efforts and investments toward higher-margin standing timber and high-value-added products, thus reducing our dependence on income from wood chip & log sales and commission fees.

We are focused on building up expeditiously a critical mass of trees under management. This will allow us to maintain a sustainable, perpetual rotation model that generates

OUR BUSINESS STRATEGIES

- ***Maximize Resources*** *by leveraging our scientific and plantation management expertise to optimize plantation yield and our supply of quality wood fibre*
- ***Expand and Diversify Revenues*** *by acquiring and re-planting forestry plantation trees in various geographic regions, and providing a broad range of valuable forestry services*
- ***Practice Sustainable Development*** *by conserving and rejuvenating forested areas and creating community employment benefits*



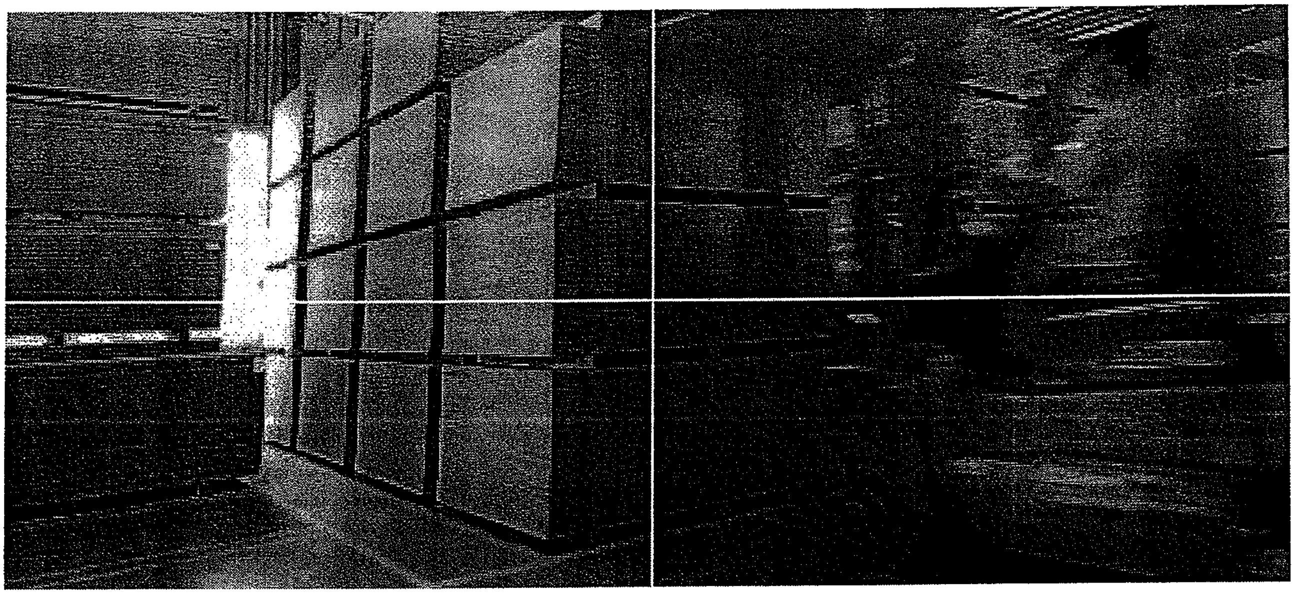
CREATING MARKET VALUE WITH EACH TREE ACQUISITION

sufficient cash to finance ongoing re-planting, maintenance and acquisition of additional trees. We are looking particularly to northern China. Early this year, we established a base in Heilongjiang, close to the Russian border, where there is an abundance of trees. We are also investing relatively more in Purchased plantations (where we generate a high gross profit margin from purchasing young trees and cultivating them to maturity, and acquire the rights to lease the land for re-planting) than Planted plantations (where we re-plant and share harvest proceeds with our joint-venture partners).

Our core business now is standing timber — primarily acquiring and/or growing to maturity, then selling, marketable trees. Our re-planting strategy is to grow fast-growing trees — after applying sophisticated R&D to develop genetically engineered seedlings, we plant and cultivate them using methodical forest management techniques. This significantly increases the yield of the land, which we typically lease long term, and maximizes our supply of wood fibre. And with timber prices trending upward, our trees are becoming even more valuable.

HEYUAN UNDERTAKING

During the past two years, we have demonstrated our ability to break new grounds by pursuing sound business opportunities such as the Heyuan Undertaking in Guangdong Province, where we have undertaken to acquire mature pine trees. Between the fourth quarter of 2004 and year end 2005, Sino-Forest had acquired 109,824 hectares of trees, sold 77,758 hectares of trees, and commenced re-planting on 11,000 hectares with eucalyptus. In the beginning of 2006, we've acquired another 15,865 hectares, and our plan is to re-plant 25,000 to 30,000 hectares and to double the yield of the land with our first rotation. Although the undertaking provided Sino-Forest with immediate access to wood fibre and cash flow, the increasing costs in trees acquisition and land rental in Heyuan have become economically less attractive for further investment. We will therefore divert our attention and shareholder capital to breaking new ground inland and northward.



COMPLEMENTARY OPERATIONS HELP MAXIMIZE OUR WOOD RESOURCES

INDEPENDENT VALUATION

To help investors appreciate and understand the market value of Sino-Forest's forestry assets, we have commissioned Jaakko Poyry Consulting — reputable, international, forestry experts to conduct a yearly valuation report. The table below is based on sophisticated modeling of the projected net present value of discounted, pre-tax cash flows.

	Oct. 31 03	Dec. 31 04	**Dec. 31 05**
Trees inventory under management	147,000 ha	242,000 ha	**324,000 ha**
Value of existing forest assets* (US$)	$345 M	$566 M	**$729 M**
Value with perpetual rotation** (US$)	$436 M	$774 M	**$968 M**

* Single rotation, based on one-off harvesting of standing timber. Includes revenues and costs associated with the existing tree inventory.

** Perpetual rotation, based on perpetual re-planting and cultivation of plantation land after harvesting through many rotations over a 50 year period; includes revenues and costs associated with sustainable forestry modelled in perpetuity.

COMPLEMENTARY OPERATIONS

Sino-Forest continues to develop a variety of downstream wood products and services that complement our core timber business. Having complementary operations allows us to better utilize the fibre at our plantations and to satisfy the diverse needs of our growing customer base. For over a decade, fees and commissions related to the sales of wood chips and logs sourced from third party suppliers have been a steady source of income, and the price of wood chips has been moving upward. We continue to import and sell hardwood logs, veneer and sawn lumber from countries in Asia. In addition, Sino-Forest has a nursery and greenery business that provides landscape services in Suzhou and neighbouring cities.

Sino-Forest invested $17 million last year in the expansion of our particleboard plant in Gaoyao, Guangdong Province, in order to satisfy fast-growing demand for panels and increase its economies of scale and profitability. Particleboard manufacturing capacity will increase to 275,000 m^3 and melamine lamination capacity to 6.4 million m^2. We also moved our small oriented strand board (OSB) production line from Suzhou to Heilongjiang, close to an abundant supply of raw mate-

BREAKING NEW GROUND IN MORE MARKETS ACROSS CHINA

OUR GOALS

- **_Deliver Growing Profitability_** *by increasing the proportion of our total income dependent on higher-margin standing timber and wood panels*
- **_Broaden Market Penetration_** *by increasing plantation area under management in a variety of markets across China, allowing for a sustainable annual harvest that can generate sufficient cash flow to finance ongoing re-planting, cultivation and further acquisition of trees*
- **_Increase Shareholder Value_** *by working to increase our share price, while preserving a strong financial position to fund capital expenditures and maintain conservative debt levels*

rial. In addition, Sino-Maple is installing wood flooring production equipment at our Suzhou facility at an estimated cost of $15 million to supply 107 retail stores carrying Sino-Maple branded quality, engineered flooring across China.

FUTURE OPPORTUNITIES

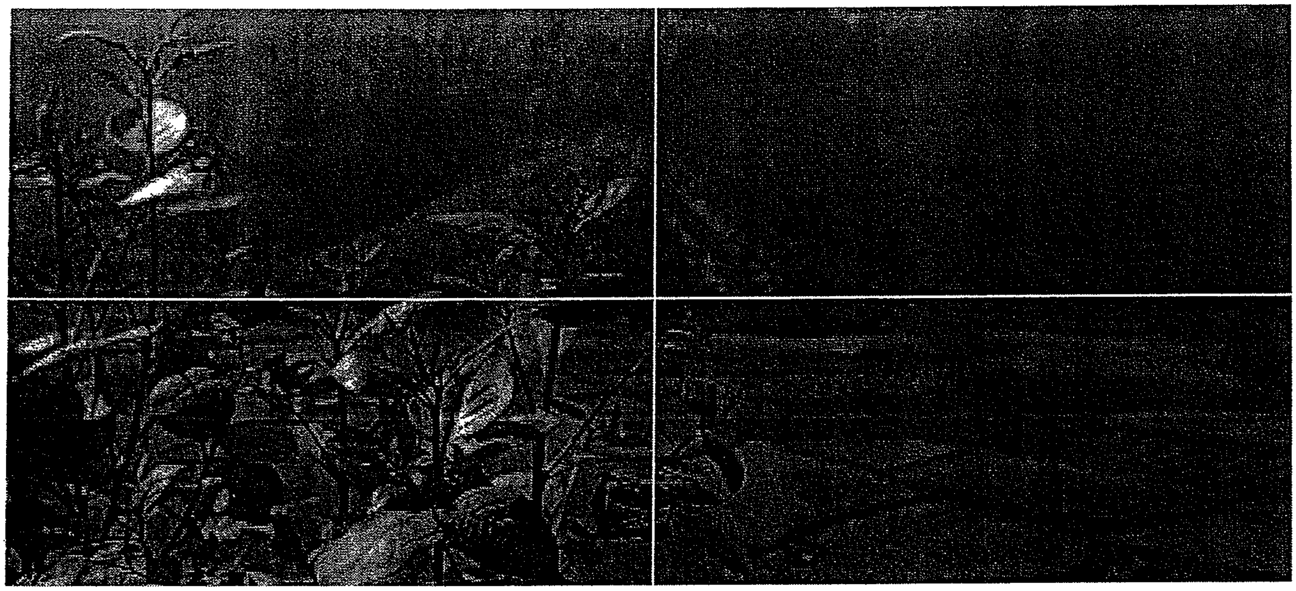
We hope to break new ground in the vast, forested areas of Heilongjiang in northern China, close to the Russian border, where there is an abundant supply of wood fibre that needs to be professionally managed in order to function properly as an ecological conservation forest.

In 2005, the central government's State Administration of Forestry lifted the ban on felling of mature and over-mature trees. At the same time, the Chinese government is also aggressively promoting the domestic wood pulp industry, integrated with upstream plantation-based fibre supply and downstream paper production.

Sino-Forest is therefore pursuing the opportunity to provide forest management services and obtain access to wood fibre in this strategically important region.

SETTING GOALS

We wish to continue on the path of success, by setting out some challenging but realistic goals in which we intend to measure our performance in the future.



BUILDING TRUST THROUGH GOOD GOVERNANCE AND TRANSPARENCY

IMPROVING GOVERNANCE

Sino-Forest's Board of Directors has adopted a best practice approach to corporate governance as recommended by Canadian securities regulators and by the Toronto Stock Exchange. Over the past few years, the corporation has established mandates for its Directors, Chairman, CEO and the Board's two Committees, and adopted important governance policies.

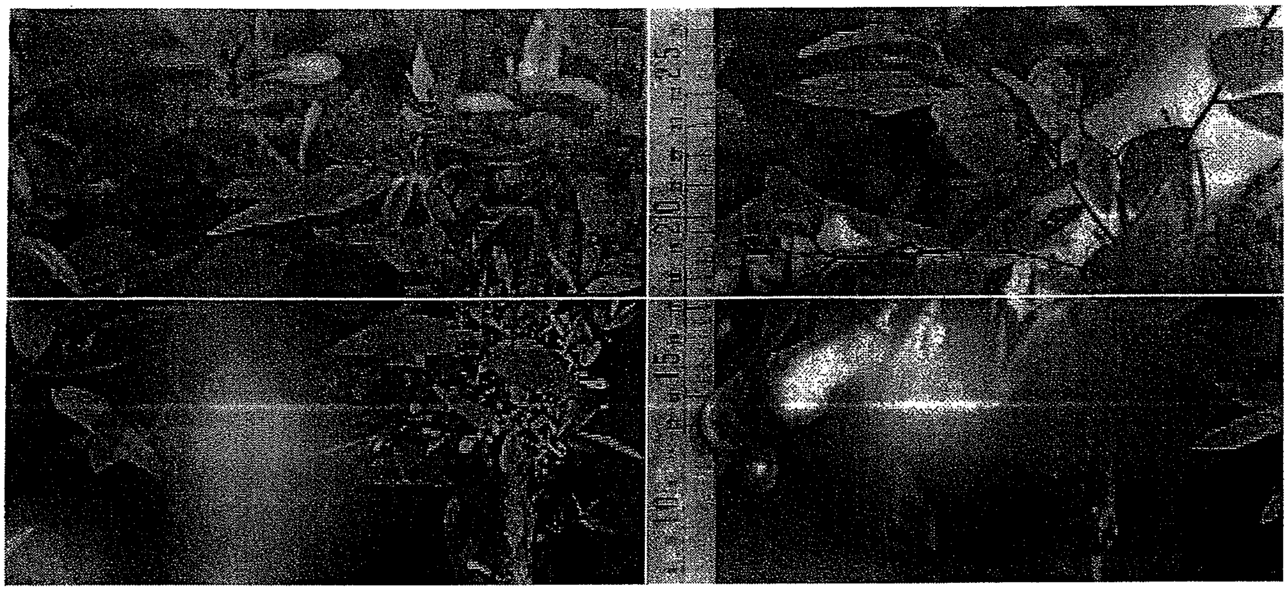
In October 2005, one of our Directors, Dave Horsley, was appointed as Senior Vice President and Chief Financial Officer, and Kee Wong was promoted to Vice Chairman to focus on strategic and corporate development and financing of the Company. Mr. Horsley was replaced by a new independent Director in January this year — W. Judson Martin of Toronto, who is a corporate director and highly experienced executive, well recognized by the investment community in North America. The Board is also working toward appointing an independent Lead Director.

OUTLOOK

Sino-Forest continues to extend its enviable track record of producing excellent operating and financial results. We have the vision, business strategies and management capabilities to become a leading, national and integrated supplier of quality wood products and services in the booming markets of China. Having successfully raised $150 million recently through a syndicated loan, we have the funds to continue acquiring trees, re-planting harvested lands with fast-growing species, and increasing the synergies between our core and complementary businesses.

Sino-Forest's management team and Board of Directors join me in expressing gratitude to our investors, customers, employees and business partners for their valuable contributions to the corporation's success in 2005 and we look forward to building sustainable value with you in 2006 and beyond.

Allen Chan
Chairman and CEO
March 30, 2006



RESPONSIBLE GOVERNANCE IS AN INTEGRAL PART OF OUR GROWTH

Governance

Sino-Forest is governed by a Board of Directors composed of highly experienced executives, the majority of whom are considered independent under Canadian securities legislation. They have undertaken additional improvements since our last annual report. The roles and mandates of Directors, Chairman of the Board, Lead Director, and CEO have been defined to clearly delineate their responsibilities and are posted on the company's website, along with the charters of the Audit and Corporate Governance & Compensation Committees, both of which are composed of independent Directors. As a publicly listed company in Canada, Sino-Forest has adopted best practices as recommended by Canadian securities regulators and by the Toronto Stock Exchange. The Board has also adopted the use of the following corporate governance policies and tools: Code of Business Conduct, Public Disclosure Policy, Insider Trading Policy, Whistle Blower Policy, Board Effectiveness Survey. The Corporation's Report on Corporate Governance and a description of its *Alignment With Corporate Governance Guidelines* are set out in Sino-Forest's Management Information Circular.

After serving on our Board, we appointed Dave Horsley as Senior Vice President and Chief Financial Officer, and to strengthen our risk management and internal control processes we hired Tom Maradin as Vice President of Risk Management. Replacing Dave on the Board and as a member of Audit and Compensation Committees since February this year is W. Judson Martin of Toronto. Judson brings a wealth of experience as a previous senior executive at Alliance Atlantis Communications Inc., MDC Corporation, Trilon Securities Corporation, Brookfield Development Corporation and Trizec Corporation Ltd.

Also over the past year, we have boosted investor relations and completely renovated our website to increase two-way communication and transparency with current and prospective investors around the world, and to broaden our shareholder base and investment analyst coverage.

SUSTAINABLE DEVELOPMENT IS PART OF OUR CORPORATE CULTURE

Environmental Stewardship and Community Support

We take great pride in being an industry leader in sustainable forest development and a conscientious corporate citizen in the local communities where we operate. We believe in conducting business with future generations and our valuable reputation in mind. Our business is inherently renewable — in addition to their providing a needed raw material, our forests host a biodiversity of living creatures, protect watersheds, provide clean drinking water, remove carbon dioxide from the atmosphere, and beautify landscapes. And we make it even more sustainable by replanting where we sow, without harming the natural environment. That is, we generally limit harvesting to the volume of trees in our inventory that comes to maturity in any given year.

Sharing the goal of maximizing nature's bounty for many stakeholders, Sino-Forest manages its plantations and develops forestry technologies in cooperation with government authorities, academic institutions and local community custodians. We play an active role in China's plans to increase the country's overall forestation and wood product self-sufficiency, and to beautify cities with greenery and landscaping. We join hands with academics at universities to take part in ecological and sustainability studies and research. In the process, many local communities benefit from Sino-Forest's operations, in terms of jobs creation and skills training. In fact, as many as 20,000 seasonal workers are gainfully employed at our plantations.

Every year, Sino-Forest is audited to continue to qualify for its Forest Stewardship Council (FSC) certification — currently the most broadly supported standard by conservation groups — by the Rainforest Alliance, an international nonprofit organization. We are proud to be the first and only commercial forestry plantation operator in China to receive this certification in 2004 for our forest management operation at a Gaoyao plantation in Guangdong Province.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) relates to the financial condition and results of Sino-Forest's operations. Throughout this MD&A, unless otherwise specified, "Sino-Forest," "Company," "we," "us" and "our" refer to Sino-Forest Corporation and its subsidiaries. Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP). This MD&A should be read in conjunction with Sino-Forest's audited consolidated financial statements and notes thereto. The United States dollar is our reporting currency and all figures contained herein are in United States dollars unless otherwise indicated.

Additional information relating to our company, including our annual information form for the year ended December 31, 2005 is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements which reflect management's expectations regarding Sino-Forest's future growth, results of operations, performance, business prospects and opportunities. Words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or similar expressions, are forward-looking statements within the meaning of securities laws. Forward-looking statements include without limitations, the information concerning possible or assumed future results of operations of Sino-Forest. These statements are not historical facts but instead represent only Sino-Forest's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. In addition to the factors Sino-Forest currently believes to be material such as, but not limited to, 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 joint venture partners, 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, evaluation of our provision for income and related taxes and PRC economic, political and social conditions and government policy, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Sino-Forest has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report.

OVERVIEW OF BUSINESS

Introduction

We are the largest foreign owned commercial forestry plantation operator in the PRC in terms of plantation area. As at December 31, 2005, we had approximately 324,000 hectares of forestry plantations located mainly in southern and eastern China. We have been operating forestry plantations in the PRC since 1995. We are focused on the development and supply of wood fibre to meet the increased demand from manufacturers in the wood panel, furniture, construction, interior decoration and pulp and paper industries in the PRC. Our manufacturing plants are intended to complement our forestry plantations and trading operations, and to create an additional source of demand for wood fibre in the PRC.

We currently sell standing timber from our planted tree plantations and purchased tree plantations, wood chips and logs and wood-based products. We also earn commission income from agency services in the sale of wood chips. Wood-based products include the sale of imported wood-based products such as logs, veneer, sawn timber, the sale of particleboard, melamine faced chipboard and sawn timber from our manufacturing plants and the sale of flooring and nursery products and services.

The standing timber, wood chips and logs and wood-based products that we sell, directly or through authorized intermediaries, are used in the PRC to produce a variety of wood-based products in the wood panel, furniture, construction, interior decoration and pulp and paper industries. In general, we sell the larger diameter portion (i.e. 14 centimetres or above) of the trees as logs to solid-wood furniture manufacturers, and the smaller diameter portion (i.e. below 14 centimetres) of trees as wood chips to wood panel manufacturers and pulp and paper mills.

We sell standing timber by hectare. Prices per hectare of standing timber vary according to a variety of factors, including the yield, age and species of the trees sold.

Vision

Our vision is to become a leading commercial forestry plantation operator and a preferred supplier of wood fibre to downstream consumers in the PRC operating in the wood panel, furniture, construction, interior decoration and pulp and paper industries. Our manufacturing operations are intended to complement our plantation operations and trading operations and to create an additional source of demand for wood fibre in the PRC.

Market Conditions

Within the PRC wood fibre market, there are a number of factors that contribute to the opportunities that are available to the Company, including:

- strong and growing demand for wood fibre from downstream producers, driven by demand for furniture, construction, interior decoration and pulp and paper;
- shortage of supply of wood fibre due to restrictions on logging of natural forests in the PRC and underdevelopment of economically viable plantations in the PRC;
- recent changes in the forestry industry favor sustainable plantations, such as new equipment used to facilitate processing of plantation logs.

Competitive Strengths

We believe that we are well positioned to take advantage of the opportunities presented by current market conditions due to the following competitive strengths:

- our status as the largest foreign owned commercial forestry plantation operator in the PRC in terms of plantation area with our predictable, sustainable and large-scale supply of forestry resources;
- strategic location of most of our plantations mainly in southern and eastern China;
- extensive forestry and management expertise with local knowledge of the PRC;
- systematic application of silviculture techniques;
- strong research and development expertise;
- established relationships with local forestry bureaus, other plantation owners and service providers and wood dealers in the PRC.

Strategy

In order to achieve our vision, we have developed a strategy that builds on our competitive strengths in order to realize the opportunities in the market place. The key elements of our strategy are as follows:

- focusing on acquiring additional forestry plantations and access to long term supply of wood fibre in proximity to existing plantations in southern and eastern China as well as other areas where demand exists but where we do not have plantations;
- improving the yields of our forestry plantations by continued investment in research and development;
- practicing responsible environmental forestry;
- strengthening our management processes and information systems to keep pace with the growth in our business;
- maintaining our wood chips and logs and wood-based products trading activities as another means of providing fibre to the consumers in the PRC;
- widening and diversifying our investor base and enhancing our corporate image and profile.

Key Factors Affecting Our Business

Our results of operations are, and will continue to be, affected by the cyclical nature of the forest products industry. Prices and demand for logs and wood chips have been, and in the future are expected to be, subject to cyclical fluctuations. The pricing in the forestry market is affected by the prices of the ultimate wood products produced from logs in the PRC, including furniture, construction materials, interior decoration materials and pulp and paper products. The prices of wood products are also affected by the availability of wood substitutes. The market for wood products are sensitive to changes in industry capacity