

**Tab 11**

## UNDERWRITING AGREEMENT

May 28, 2007

Dundee Securities Corporation  
1 Adelaide Street East  
Suite 2700  
Toronto, Ontario  
M5C 2V9

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Dundee Securities Corporation ("Dundee"), CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc. ("Credit Suisse"), UBS Securities Canada Inc. and Haywood Securities Inc. (collectively, the "Underwriters") 13,900,000 common shares in the capital of the Company (the "Firm Shares"). The Company also proposes to issue and sell to the Underwriters not more than an additional 2,000,000 Common Shares in the capital of the Company (the "Optional Shares") if and to the extent that the Underwriters shall have determined to exercise the right to purchase such Optional Shares granted to the Underwriters in Section 3 hereof. The Firm Shares and the Optional Shares are hereinafter collectively referred to as the "Offered Shares".

We also understand that the Company is eligible to file, and will prepare and file a preliminary short form prospectus and a (final) short form prospectus and all other necessary documents in order to qualify the Offered Shares and the Over-Allotment Option for distribution to the public in each of the provinces of Canada other than Québec (the "Offering").

The following are the terms and conditions of the agreement among the Company and the Underwriters:

1. *Definitions.* In this Agreement, unless otherwise defined herein, the following words and terms shall have the following meanings:
  - (a) "1933 Act" means the United States *Securities Act of 1933*, as amended.
  - (b) "1934 Act" means the United States *Securities Exchange Act of 1934*, as amended.
  - (c) "Affiliates" or "affiliates" has the meaning specified in Rule 501(b) of Regulation D under the 1933 Act.

- (d) "Business Day" means a day which is not a Saturday, a Sunday or a statutory or civic holiday in the City of Toronto, Ontario, the City of New York, New York or the City of Hong Kong, SAR.
- (e) "Canadian Securities Laws" means the securities laws, regulations, rules, published national and local instruments, policy statements, notices, blanket rulings and orders, discretionary rulings and orders applicable to the Company, and prescribed forms, collectively, of each of the Qualifying Jurisdictions and all rules, by-laws and regulations governing the TSX, all as the same are in effect at the date hereof and as amended, supplemented or replaced from time to time.
- (f) "CJVs" means, collectively, Jiangxi Jiachang Forestry Development Co. Ltd. and Heyuan Jiahe Forestry Development Co., Ltd., each a Sino-foreign cooperative joint venture enterprise with limited liability established in the PRC under the relevant PRC laws.
- (g) "Claim" has the meaning specified in Section 9(a).
- (h) "Closing Date" has the meaning specified in Section 4.
- (i) "Closing Time" means 8:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date, as the Company and the Underwriters, may agree.
- (j) "Common Shares" means the common shares in the capital of the Company.
- (k) "Company's Auditors" means BDO McCabe Lo Limited.
- (l) "Company's Canadian Counsel" means the law firm of Aird & Berlis LLP.
- (m) "Company's Counsel" means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel and Company's U.S. Counsel.
- (n) "Company's Hong Kong Counsel" means Linklaters in Hong Kong.
- (o) "Company's PRC Counsel" means the law firm of Jingtian & Gongcheng.
- (p) "Company's U.S. Counsel" means the law firm of Weil, Gotshal & Manges LLP.

- (q) "Condition of the Company" means the business, affairs, operations, assets, properties, prospects, liabilities (contingent or otherwise), capital, earnings or condition (financial or otherwise) of the Company and its Subsidiaries, taken as a whole.
- (r) "Defaulted Securities" has the meaning specified in Section 10.
- (s) "Directed Selling Efforts" means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Agreement, it means, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Offered Shares, and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the Offering.
- (t) "distribution" and "distribution to the public" shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (u) "Final International Offering Memorandum" means the final international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Prospectus and certain additional pages, as amended or supplemented.
- (v) "Final MRRS Decision Document" means the document issued in accordance with MRRS evidencing that a final receipt has been issued in respect of the Prospectus by each of the Securities Regulators.
- (w) "Foreign Companies" means, collectively, Sino-Forest Resources Inc. and Suri-Wood Inc.
- (x) "Foreign Parties" means, collectively, Sino-Wood (Jiangxi) Limited and Sino-Wood (Guangdong) Limited.
- (y) "including" means including, without limitation.
- (z) "Indemnified Party" has the meaning specified in Section 9(a).
- (aa) "International Offering" means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.

- (bb) "Joint Venture Documents" means the cooperative joint venture contract and the articles of association, pursuant to which a CJV was organized.
- (cc) "MRRS" means National Policy 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms*.
- (dd) "Master Agreements" means the agreements between certain Subsidiaries of the Company with their respective authorized intermediaries, pursuant to which the Company appoints the authorized intermediaries to manage its wood chips trading transactions on its behalf.
- (ee) "misrepresentation", "material fact" and "material change" mean, with respect to circumstances to which the Canadian Securities Laws of a particular Qualifying Jurisdiction are applicable, a misrepresentation, material fact, and material change as defined under the Canadian Securities Laws of that Qualifying Jurisdiction and, if not so defined or in circumstances in which the particular Canadian Securities Laws of a particular Qualifying Jurisdiction are not applicable, mean a misrepresentation, material fact and material change as defined under the *Securities Act* (Ontario).
- (ff) "NI 44-101" means National Instrument 44-101 - *Short Form Prospectus Distributions*.
- (gg) "Offering Documents" means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (hh) "Option Closing Date" has the meaning specified in Section 3.
- (ii) "Option Closing Time" has the meaning specified in Section 4.
- (jj) "Operational Procedures" means the supplemental agreements to the Master Agreements, which set forth certain operational procedures relating to the wood chips sales transactions.
- (kk) "Over-Allotment Option" has the meaning specified in Section 3.
- (ll) "Plantation Purchase Agreements" means the purchase agreements and the relevant supplemental agreements (if applicable) relating to the purchase by Foreign Companies of the rights to the trees on the relevant forestry plantation land.

- (mm) "Plantation Rights Certificates" means certificates issued under the PRC Forestry Law in respect of the right to use the plantation land and to own the planted trees (in the case of planted forestry plantations) or to the owners of the plantation trees (in the case of purchased tree plantations).
- (nn) "PRC" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (oo) "Preferred Shares" means preference shares, issuable in series, in the capital of the Company.
- (pp) "Preliminary International Offering Memorandum" means the preliminary international offering memorandum prepared by the Company for use in connection with the International Offering, which consists of the Preliminary Prospectus and certain additional pages, as amended or supplemented.
- (qq) "Preliminary Prospectus" means the preliminary short form prospectus of the Company, in English, and filed with the Securities Regulators in connection with the qualification of the Offered Shares and the Over-Allotment Option for distribution in the Qualifying Jurisdictions, and the term "Preliminary Prospectus" shall be deemed to refer to and to include all the documents incorporated therein by reference and any amendment or restatement thereto. For avoidance of doubt, reference to "Preliminary Prospectus" shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.
- (rr) "Prospectus" means the (final) short form prospectus of the Company dated the date of this Agreement, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares and the Over-Allotment Option under applicable Canadian Securities Laws in the Qualifying Jurisdictions, and the term "Prospectus" shall be deemed to refer to and include all the documents incorporated therein by reference. For avoidance of doubt, reference to "Prospectus" shall include the Prospectus included in the Final International Offering Memorandum.
- (ss) "Qualified Institutional Buyer" means a "qualified institutional buyer" as that term is defined in Rule 144A.

- (tt) "Qualifying Jurisdictions" means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
- (uu) "Regulation D" means Regulation D adopted by the SEC under the 1933 Act.
- (vv) "Regulation S" means Regulation S adopted by the SEC under the 1933 Act.
- (ww) "Rule 144A" means Rule 144A under the 1933 Act.
- (xx) "SEC" means the United States Securities and Exchange Commission.
- (yy) "Securities Regulators" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
- (zz) "Subsidiary" means:
- (i) any corporation of which securities, having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time shares of any other class or classes of such corporation might have voting power by reason of the happening of any contingency, unless the contingency has occurred and then only for as long as it continues), are at the time directly, indirectly or beneficially owned or controlled by the Company or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries;
  - (ii) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (x) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (y) is a general partner, in the case of a limited partnership, or is a partner that has the authority to bind the partnership in all other cases; or
  - (iii) any other person of which at least a majority of the income, capital, beneficial or ownership interest (however designated) is at the time directly, indirectly or beneficially owned or controlled by the Company, or one or more of its Subsidiaries or the Company and one or more of its Subsidiaries;

provided that the term Subsidiary shall in any event include the CJVs, the WFOEs and each of the additional entities identified in Schedule 1 (excluding the Company).

- (aaa) "Substantial U.S. Market Interest" means "substantial U.S. market interest" as that term is defined in Regulation S.
- (bbb) "Supplementary Material" means, collectively, any amendment or supplement to the Prospectus or any other similar documents required to be filed by the Company under the Canadian Securities Laws in connection with the Offering.
- (ccc) "to the best of the knowledge, information and belief of" means (unless otherwise expressly stated) a statement of the declarant's knowledge of the facts or circumstances to which such phrase relates after having made due inquiries and investigations in connection with such facts and circumstances.
- (ddd) "TSX" means the Toronto Stock Exchange.
- (eee) "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (fff) "Underwriters' Canadian Counsel" means the law firm of Stikeman Elliott LLP.
- (ggg) "Underwriters' Counsel" means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (hhh) "Underwriters' PRC Counsel" means the law firm of Commerce & Finance Law Offices.
- (iii) "Underwriters' U.S. Counsel" means the law firm of Davis Polk & Wardwell.
- (jjj) "U.S. Securities Laws" means all applicable securities legislation in the United States, including, the 1933 Act, as amended, and the 1934 Act, as amended, and the rules and regulations promulgated thereunder.
- (kkk) "WFOEs" means, collectively, Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development



Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. each an enterprise established in the PRC in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

2. *Representations and Warranties.* The Company represents and warrants to the Underwriters and acknowledges that the Underwriters are relying upon such representations and warranties in connection with their execution and delivery of this Agreement, and delivery of each of the Offering Documents by the Company to the Underwriters shall constitute the representation and warranty of the Company to the Underwriters, that:

- (a) The Company is continued under the laws of Canada and is validly existing as a corporation in good standing under the laws of Canada, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole.
- (b) Each Subsidiary has been duly incorporated, amalgamated, formed or continued, as the case may be, is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, amalgamation, formation or continuance, has the corporate power and authority to own its property and to conduct its business as described in the Offering Documents and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its Subsidiaries, taken as a whole; all of the issued shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable and the

shares of capital stock of each such Subsidiary owned by the Company of another Subsidiary are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

- (c) Each of the Company and its Subsidiaries has obtained all consents, authorizations, approvals, orders, certificates and permits of and from, and has made all declarations and filings with, all relevant national, local or other governmental authorities and all relevant courts and other tribunals ("Governmental Authorizations") which are required for the Company or any of its Subsidiaries to own, lease, license and use its properties and assets and to conduct its business in the manner described in, and contemplated by, the Offering Documents; all such Governmental Authorizations are in full force and effect; none of the Company and its Subsidiaries is in violation of, or default under, such Governmental Authorizations.
- (d) Each of the Company and its Subsidiaries has good and marketable title to all real property and all personal property owned by it, in each case free and clear of all liens, encumbrances and defects, except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by it; and any real property and buildings held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its Subsidiaries, in each case except as described in or contemplated in the Offering Documents.
- (e) This Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction.
- (f) The relevant PRC Subsidiaries has duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, the relevant PRC Subsidiaries have the right to use approximately 58,000 hectares of plantation land contributed by the PRC partners of the CJVs or leased from other parties.

- (g) Each of the Foreign Companies has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
- (h) Each of the Foreign Parties is the sole contributor of the respective registered capital of each of the CJVs and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the CJVs as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such CJV) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
- (i) Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited (BVI) and Sino-Panel (Hunan) Limited (BVI) is the owner of the 100% registered capital of each of the WFOEs, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law), or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
- (j) The contracted registered capital of each of the CJVs has been subscribed in full by the respective Foreign Parties of each such CJV in accordance with the relevant Joint Venture Documents and all government approvals relating to the subscription thereof have been issued and are in full force and effect. Except for Guangdong Jiayao Wood Products Development Co, Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading

Forest Development Co., Ltd., whose registered capital have been subscribed in accordance with their respective approval, the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

- (k) The articles of association of each of the CJVs and WFOEs comply with the requirements of applicable laws of the PRC, and are in full force and effect.
- (l) Each of the material agreements identified under the heading "Material Contracts" in the Company's annual information form dated March 30, 2007, the Joint Venture Documents, the Master Agreements and the related Operating Procedures and the Plantation Purchase Agreements which are governed by PRC law, constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and subject to the qualification that equitable remedies may be granted in the discretion of a court of competent jurisdiction.
- (m) Except for Guangdong Jiayao Wood Products Development Co. Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co. Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their respective investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
- (n) The authorized capital of the Company conforms to the description thereof contained in the Offering Documents.

- (o) The Common Shares outstanding prior to the issuance of the Offered Shares have been duly authorized and are validly issued, fully paid and non-assessable.
- (p) The Offered Shares have been duly authorized and, when issued and delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Offered Shares will not be subject to any pre-emptive or similar rights.
- (q) The execution and delivery of this Agreement by the Company, the issuance, offering and sale of Offered Shares, the use of the proceeds as described in the Offering Documents and the compliance by the Company with the other provisions of this Agreement do not:
  - (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, Securities Regulators or other third party except: (A) such as have been obtained; and (B) such as may be required (and shall be obtained as provided in this Agreement) under the Canadian Securities Laws and by the TSX;
  - (ii) conflict with or result in a breach or violation of any of the terms and provisions of, or constitute a default under: (A) any indenture, mortgage, lease or other agreement or instrument to which the Company, any of its Subsidiaries or any of their respective properties is bound; (B) the charter documents or by-laws of the Company or any of its Subsidiaries, respectively; or (C) any statute or any judgment, decree, order, rule or regulation of any court or other governmental authority or any arbitrator, stock exchange or securities association applicable to the Company or any of its Subsidiaries; or
  - (iii) give rise to any claim against the Company, any of its Subsidiaries, or any of their assets or give rise to or accelerate the repayment of any indebtedness or other payment or repayment obligation under any term or provision of any document or instrument referred to in sub-clause (A) or (B) of clause 2(q)(ii) above.
- (r) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the Condition of the Company, from that set forth in the Preliminary Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement).

- (s) There are no legal or governmental proceedings pending or threatened to which the Company or any of its Subsidiaries is a party or to which any of the properties of the Company or any of its Subsidiaries is subject other than proceedings accurately described in the Offering Documents and proceedings that would not have a material adverse effect on the Condition of the Company.
- (t) No labour dispute with the employees of the Company or any of its Subsidiaries exists or, to the best of the knowledge, information and belief of the Company, is imminent, and the Company is not aware of any existing or imminent labour disturbance by the employees of any of its or any of its Subsidiaries' principal suppliers, manufacturers, customers or contractors, which, in either case, would result in any material adverse effect on the Condition of the Company.
- (u) The Company and its Subsidiaries have not, and to the best of the knowledge, information and belief of the Company, no director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its Subsidiaries has, taken any action, directly or indirectly, that would result in a violation by such persons of the anti-corruption legislation of Canada, the PRC, Hong Kong or any other jurisdiction, or the rules and regulations thereunder, and all related or similar rules, regulations or guidelines issued, administered or enforced by any governmental agency thereof, including, without limitation, (i) making an offer, payment or promise to pay or (ii) authorizing the payment of any money, other property, gift, promise to give, or the giving of anything of value to any official, employee or agent of any governmental agency, authority or instrumentality in Canada, the PRC, Hong Kong or any other jurisdiction where either the payment, gift or promise or the purpose of such contribution, payment, gift or promise was, is or would be prohibited under applicable law, rule or regulation of Canada, the PRC, Hong Kong or any other relevant jurisdiction or to any political party or official thereof or any candidate for political office, where either the payment, gift or promise or the purpose of such contribution, payment, gift or promise was, is or would be prohibited under applicable law, rule or regulation of Canada, the PRC, Hong Kong or any other relevant jurisdiction, except such as would not, individually or in the aggregate, have any material adverse effect on the Condition of the Company.
- (v) Neither the Company or any of its Subsidiaries nor, to the best of the knowledge, information and belief of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company or any of its Subsidiaries is currently subject to any U.S.

sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC"); and the Company will not directly or indirectly use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

- (w) The Company and its Subsidiaries (i) are in compliance with any and all applicable foreign, federal, provincial, state, territorial, and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants, dangerous goods or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a material adverse effect on the Condition of the Company.
- (x) There is not at present on, at or under any of the real properties of the Company or any of its Subsidiaries any hazardous substances, toxic substances, wastes, pollutants, dangerous goods or contaminants ("Hazardous Substance") and there has not been the discharge, deposit, leak, emission, spill or other release of any Hazardous Substance on, at, under or from any real property of the Company or any of its Subsidiaries (including relating to the collection, removal and disposal of wastes), which has resulted in or may result in any cost, damage or other liability, including the diminution in value of any property.
- (y) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a material adverse effect on the Condition of the Company.
- (z) The Company is eligible to file a short form prospectus under NI 44-101 in each of the Qualifying Jurisdictions and there are no

reports or information that in accordance with the requirements of the Canadian Securities Laws must be made publicly available in connection with the Offering as at the date hereof that have not been made publicly available as required.

- (aa) The Company has filed each statement, report, material change report, prospectus, management information circular, annual and interim report to shareholders, annual information form, financial statements, and any other material filing required to be filed with the Securities Regulators by the Company since January 1, 2004 (collectively, the "Company Public Documents"). As of their respective filing dates, the Company Public Documents complied in all material respects with the requirements of applicable Canadian Securities Laws and none of the Company Public Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances in which they were made, not misleading, except to the extent corrected by a subsequently filed Company Public Document. The Company has not filed any confidential material change report or other confidential report with any Securities Regulators or other governmental entity which at the date hereof remains confidential.
- (bb) The consolidated financial statements of the Company, and its Subsidiaries and the notes thereto included or incorporated by reference in the Offering Documents fairly present, in all material respects, the consolidated financial position, results of operations, earnings and cash flow of the Company and its Subsidiaries as at the respective dates and for the periods indicated therein and such financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis.
- (cc) Other than as disclosed in the financial statements referred to in clause 2(bb) and in the Offering Documents, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Company or any of its Subsidiaries with unconsolidated entities or other persons that may have a material current or future effect on the financial condition, change in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses of the Company or any of its Subsidiaries.
- (dd) Except as disclosed in the Offering Documents, none of the Company or any of its Subsidiaries has any contingent liabilities, in excess of the



liabilities that are either reflected or reserved against in the financial statements referred to in clause 2(bb), which are material to the Condition of the Company.

- (ee) Except as disclosed in the Offering Documents, no material indebtedness (actual or contingent) and no material contract or arrangement is outstanding between the Company or any of its Subsidiaries and any director or executive officer of the Company or any of its Subsidiaries or any person connected with such director or executive officer (including his/her spouse or children, or any company or undertaking in which he/she holds a controlling interest). There are no material relationships or transactions between the Company or any of its Subsidiaries on the one hand and its affiliates, officers and directors or their shareholders, customers or suppliers on the other hand which are not disclosed in the Offering Documents.
- (ff) The Company and each of its Subsidiaries maintains a system of internal controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit the financial statements to be fairly presented in accordance with Canadian generally accepted accounting principles and to maintain accountability for assets; (iii) access to its assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to differences; (v) material information relating to the Company and its Subsidiaries is made known to those within the Company responsible for the preparation of the financial statements during the period in which the financial statements have been prepared and that such material information is disclosed to the public within the time periods required by applicable law, including Canadian Securities Laws; and (vi) all significant deficiencies and material weaknesses in the design or operation of such internal controls that could adversely affect the Company's ability to disclose to the public information required to be disclosed by it in accordance with applicable law, including Canadian Securities Laws, and all fraud, whether or not material, that involves management or employees that have a significant role in the Company's internal controls have been disclosed to the audit committee of the Company's board of directors.
- (gg) The Company's Auditors are independent public accountants as required under Canadian Securities Laws and there has not been any

disagreement (within the meaning of National Instrument 51-102) since January 1, 2004 with the present or any former auditors of the Company.

- (hh) Except as referred to in and contemplated by the Offering Documents, subsequent to the respective dates as of which information is given in such documents:
  - (i) there has not been any material change in the assets, liabilities or obligations (absolute, accrued, contingent or otherwise) of the Company and its Subsidiaries on a consolidated basis;
  - (ii) there has not been any material change in the capital or long-term debt of the Company and its Subsidiaries on a consolidated basis; and
  - (iii) there has not been any material change in the Condition of the Company.
- (ii) There is no person, firm or corporation which has been engaged by the Company to act for the Company and which is entitled to any brokerage or finder's fee in connection with this Agreement or any of the transactions contemplated hereunder, and in the event any such person, firm or corporation establishes a claim for any fee from the Underwriters in respect of the transactions contemplated hereunder, the Company covenants to indemnify and hold harmless the Underwriters with respect thereto and with respect to all costs reasonably incurred in the defence thereof.
- (jj) None of the Company and its Subsidiaries is, or with the giving of notice or lapse of time or both would be, in violation of or in default under:
  - (i) any provision of law or regulation or the charter documents or by laws of the Company or any of its Subsidiaries, respectively;
  - (ii) any indenture, mortgage, lease or other agreement or instrument to which the Company, any of its Subsidiaries or any of their respective properties is bound; or
  - (iii) any approval, judgment, order or decree of any governmental body or agency or of any court having jurisdiction over the Company, any of its Subsidiaries or any of their respective properties.

- (kk) Other than as disclosed in the Offering Documents, the Company and each of its Subsidiaries has, on a timely basis, filed all necessary tax returns and notices and has paid or made provision for all applicable taxes of whatever nature for all tax years to the date hereof to the extent such taxes have become due or have been alleged to be due; other than as disclosed in the Offering Documents, the Company is not aware of any material tax deficiencies or material interest or penalties accrued or accruing or alleged to be accrued or accruing, thereon with respect to itself or any of its Subsidiaries which have not otherwise been provided for by the Company.
- (ll) The Company is a reporting issuer under the Canadian Securities Laws of each of the Qualifying Jurisdictions and is not in default of any requirement of such Canadian Securities Laws.
- (mm) The delivery to the Underwriters of the Offering Documents shall constitute the representation and warranty of the Company to the Underwriters that, at the time of such delivery, the information and statements contained therein (except for statements or omissions based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein):
- (i) constitute full, true and plain disclosure of all material facts relating to (x) the Company and its Subsidiaries on a consolidated basis; and (y) the Offered Shares;
  - (ii) are true and correct in all material respects and contain no misrepresentation; and
  - (iii) do not omit a material fact (except for information relating solely to the Underwriters) which is necessary to make the information and statements contained therein not misleading in light of the circumstances in which they were made.

Such delivery shall also constitute the Company's consent to the use of (a) the Preliminary Prospectus, the Prospectus or the Supplementary Material, as the case may be, by the Underwriters for the purpose of offering and selling the Offered Shares in the Qualifying Jurisdictions in accordance with the Canadian Securities Laws and (b) the Preliminary International Offering Memorandum, the Final International Offering Memorandum and any Supplementary Material by the Underwriters (and its affiliates) for the offering and sale of the Offered Shares by them outside of Canada.

3. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the Underwriters, and the Underwriters agree to purchase from the Company, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, 13,900,000 Common Shares at Cdn.\$12.65 per Share (the "Purchase Price").

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Optional Shares, and the Underwriters shall have the right to purchase up to 2,000,000 Optional Shares at the Purchase Price (the "Over-Allotment Option"). The Underwriters may exercise this right in whole or from time to time in part by giving written notice prior to 30 days after the Closing Date. Any exercise notice shall specify the number of Optional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least three Business Days after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten Business Days after the date of such notice and must be a day that the TSX is open for trading. Optional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Optional Shares are to be purchased (an "Option Closing Date"), the Underwriters agree to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Underwriters may determine) to be purchased on such Option Closing Date.

The Company hereby agrees that, without the prior written consent of Dundee, on behalf of the Underwriters, which consent shall not be unreasonably withheld or delayed, it will not, during the period commencing on the date of the Prospectus and ending 120 days after the Closing Date, issue, agree to issue, or announce an intention to issue any additional Common Shares or any securities convertible into or exchangeable for Common Shares (except in connection with the exchange, transfer, conversion or exercise of rights of existing outstanding securities or existing commitments to issue securities or except in respect of the grant of options pursuant to the Company's stock option plan and the issuance of shares pursuant to the exercise thereof).

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Canadian funds immediately available in Toronto, Canada against delivery of such Firm Shares for the account of the Underwriters at 8:00 a.m., Toronto time (the "Closing Time"), on June 14, 2007 or on such other date, not later than June 30, 2007, as shall be designated in writing by the Underwriters. The date of such payment is hereinafter referred to as the "Closing Date".

Payment for any Optional Shares shall be made to the Company in Canadian funds immediately available in Toronto, Canada against delivery of such Optional

Shares for the account of the Underwriters at 8:00 a.m., Toronto time (the "Option Closing Time"), on the Option Closing Date specified in the corresponding notice described in Section 3 or on such other date, in any event not later than June 30, 2007, as shall be designated in writing by the Underwriters.

The Firm Shares and Optional Shares shall be registered in such names and in such denominations as the Underwriters shall request in writing not later than one full Business Day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Optional Shares shall be delivered to the Underwriters on the Closing Date or an Option Closing Date, as the case may be.

In consideration for the Underwriters' services in (i) assisting in the preparation of the Offering Documents; (ii) forming and managing banking, selling or other groups in connection with the distribution of the Offered Shares; (iii) distributing the Offered Shares, both directly and through other registered dealers and brokers; and (iv) all other matters in connection with the issue and sale of the Offered Shares, the Company agrees to pay to the Underwriters, by certified cheque, wire transfer or the deduction of the Offering proceeds, a commission equal to 4.25% of the aggregate gross proceeds to the Company of the Firm Shares purchased by the Underwriters hereunder at the Closing Time. To the extent the Over-Allotment Option is exercised, the Company shall pay to the Underwriters, by certified cheque, wire transfer or the deduction of the Offering proceeds, a fee at the Over-Allotment Closing equal to 4.25% of the aggregate gross proceeds to the Company of the Optional Shares purchased by the Underwriters hereunder.

The closing of the purchase and sale of the Firm Shares will be completed at the Closing Time at the offices of the Company's Canadian Counsel, or at any other place determined in writing by the Company and the Underwriters. At the Closing Time, the Company will deliver to the Underwriters (i) a global certificate representing the Firm Shares to be issued on the Closing Date registered in the name of "CDS & Co." for deposit into the book entry only system administered by CDS Clearing and Depository Services Inc. and/or such other number of certificates as directed by the Underwriters at least one Business Day prior to the Closing Date; (ii) such further documentation as may be contemplated herein or as the Underwriters or the applicable Securities Regulators or the TSX may reasonably require, against payment by the Underwriters of the purchase price therefor by certified cheque or wire transfer to the order of the Company in Canadian same day funds or by such other method as the Company and the Underwriters may agree upon. In addition, the Company shall contemporaneously pay to the Underwriters, the aforementioned 4.25% commission by wire transfer to the order of the Underwriters in Canadian same day funds, the deduction of the Offering proceeds or by such other method as the Company and the Underwriters may agree upon. The Company hereby expressly authorizes the Underwriters to deduct (x) the commission to which it is entitled pursuant to the terms hereof; and (y) any fees and expenses set forth in

Section 6(c) hereof payable by the Company to the Underwriters, from any payment made by the Underwriters of the purchase price for the Firm Shares or any Optional Shares in satisfaction of the Company's obligation to pay such commission and such fees and expenses. The Underwriters shall provide at least three Business Days notice if it does not intend to deduct the aforementioned commissions, fees and expenses from the price of the Offered Shares.

In order to facilitate an efficient and timely closing at the Closing Time and the Option Closing Time, the Underwriters may choose to initiate a wire transfer of funds to the Company prior to the Closing Time or the Option Closing Time, as the case may be. If the Underwriters do so, the Company agrees that such transfer of funds to the Company prior to the Closing Time or the Option Closing Time does not constitute a waiver by the Underwriters of any of the conditions set out in this Agreement. Furthermore, the Company agrees that any such funds received from the Underwriters prior to the Closing Time or the Option Closing Time, as the case may be, will be held by the Company in trust solely for the benefit of the Underwriters until the Closing Time or the Option Closing Time as the case may be, and, if the closing, as the case may be, does not occur at the scheduled Closing Time or the Option Closing Time, as the case may be, such funds shall be immediately returned by wire transfer to Dundee on behalf of the Underwriters, without interest. Upon the satisfaction of the conditions of closing at the Closing Time or Option Closing Time, as the case may be, the funds held by the Company, in trust for the Underwriters shall be deemed to be delivered by the Underwriters to the Company in satisfaction of the obligation of the Underwriters under Section 12 of this Agreement and upon such delivery the trust constituted by this Section 12(3) shall be terminated without further formality.

5. *Conditions to the Underwriters' Obligations.* The obligations of the Company to sell the Offered Shares to the Underwriters and the obligation of the Underwriters to purchase and pay for the Offered Shares at the Closing Time are subject to the following conditions:

- (a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the Condition of the Company, from that set forth in the Offering Documents provided to prospective purchasers of the Offered Shares that, in the Underwriters' judgment, is material and adverse and that makes it, in the Underwriters' judgment, impracticable to profitably market and sell the Offered Shares on the terms and in the manner contemplated in the Prospectus.
- (b) The Underwriters shall have received a legal opinion dated the Closing Date from Company's Canadian Counsel, addressed to the

Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "A", such opinion shall be rendered to the Underwriters at the request of the Company and shall so state therein.

- (c) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's PRC Counsel, addressed to the Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "B", such opinion shall be rendered to the Underwriters at the request of the Company and shall so state therein.
- (d) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's U.S. Counsel, addressed to the Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably, relating to the matters set out in Schedule "C". Such opinion shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (e) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's Hong Kong Counsel in or substantially in the form of the opinion set out in Schedule "D". Such opinion shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (f) The Underwriters shall have received a legal opinion dated the Closing Date from Underwriters' Canadian Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "E".
- (g) The Underwriters shall have received legal opinions dated the Closing Date from Underwriters' PRC Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "F".
- (h) The Underwriters shall have received legal opinions dated the Closing Date from Underwriters' U.S. Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably, relating to the matters set out in Schedule "G".

- (i) The Underwriters shall have received a certificate, or certificates, dated the Closing Date and executed by each of the Chief Executive Officer and the Chief Financial Officer of the Company, on behalf of the Company, without personal liability, to the effect that, after due inquiry:
- (i) a Final MRRS Decision Document has been issued by the Ontario Securities Commission as the principal regulator of the Company under the MRRS, and no order suspending or preventing the use of the Prospectus or any amendment thereto or cease trading the Common Shares or any other securities of the Company has been issued, and no proceedings for that purpose have been instituted or threatened by any Securities Regulator;
  - (ii) subsequent to the respective dates as of which information is given in the Offering Documents, there has not been any "material change" (as defined in this Underwriting Agreement) of any kind, any material adverse change, or any development involving a prospective material adverse change, in the Condition of the Company;
  - (iii) subsequent to the respective dates as of which information is given in the Offering Documents, no transaction out of the ordinary course of business, material to the Company and its Subsidiaries on a consolidated basis, has been entered into by the Company or any of its Subsidiaries or has been approved by the management of any of them;
  - (iv) the representations and warranties of the Company contained in this Agreement are true and correct in all material respects as of the Closing Date with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated hereby;
  - (v) the minute books and records of the Company relating to all meetings of shareholders of the Company and the Board of Directors of the Company made available to the Underwriters' Canadian Counsel are true, correct and complete, in all material respects, with respect to all proceedings of said shareholders and Board of Directors since January 1, 1999; and



- (vi) the Company has duly complied in all respects with all the agreements and satisfied all the conditions of this Agreement on its part to be satisfied or complied with up to the Closing Time.
- (j) The Underwriters shall have received a certificate, dated the Closing Date and executed by the Secretary of the Company, on behalf of the Company, without personal liability, to the effect that, to the best of his knowledge, information and belief:
  - (i) the articles and by-laws of the Company attached to the certificate are full, true and correct copies and in effect on the date of such certificate;
  - (ii) the resolutions of the board of directors of the Company relating to the Offering attached to the certificate are full, true and correct copies thereof and have not been modified or rescinded as of the date of such certificate and are all of the resolutions relating to the subject matter of the Offering; and
  - (iii) such other matters as are requested by the Underwriters, in form and substance satisfactory to the Underwriters.
- (k) The Underwriters shall have received on each of the date hereof and the Closing Date comfort letters of the Company's Auditors in form and substance satisfactory to Underwriters' Counsel, similar to the comfort letters to be delivered to the Underwriters pursuant to 6(j)(v) hereof, and updated to a date not less than two days prior to date hereof and the Closing Date, respectively.
- (l) On the Closing Date, the Offered Shares shall be listed and posted for trading on the TSX.
- (m) The Company shall have delivered the definitive certificates representing the Offered Shares as specified in Section 4 hereof.
- (n) The Underwriters shall have received at the Closing Time such other certificates, statutory declarations, agreements or materials, in form and substance satisfactory to the Underwriters and the Underwriters' Counsel, as the Underwriters and the Underwriters' Counsel may reasonably request.

In addition, the obligation of the Underwriters to purchase Optional Shares hereunder are subject to the delivery to the Underwriters on the applicable Option Closing Date of such documents as the Underwriters may reasonably request with

respect to the good standing of the Company, the due authorization and issuance of the Optional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Optional Shares.

6. *Covenants of the Company.* In further consideration of the agreements of the Underwriters herein contained, the Company covenants with the Underwriters as follows:

- (a) If, during the period after the date hereof and prior to the date on which all of the Offered Shares have been sold by the Underwriters, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Offering Documents in order to correct any misrepresentation or make the statements therein, in the light of the circumstances when the Offering Documents are delivered to a purchaser, not misleading or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Offering Documents to comply with Canadian Securities Laws, forthwith to prepare, file with the Securities Regulators and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses the Underwriters will furnish to the Company) to which Offered Shares may have been sold by the Underwriters and to any other dealers upon request, either amendments or supplements to the Offering Documents so that the statements in the Offering Documents as so amended or supplemented will not, in the light of the circumstances when the Offering Documents are delivered to a purchaser, be misleading or so that the Offering Documents, as amended or supplemented, will comply with Canadian Securities Laws.
- (b) To endeavor to qualify the Offered Shares for offer and sale under the securities laws of such jurisdictions outside of Canada as the Underwriters shall reasonably request.
- (c) Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Underwriters' Counsel, the Company's Counsel, the Company's Auditors, Pöyry Forest Industry Ltd. and any other experts or advisors retained by the Company in connection with the offering of the Offered Shares and all other fees or expenses in connection with the preparing, printing and filing or other publication of all documents contemplated hereby, including all costs of printing the Offering Documents, and the mailing and delivering of copies thereof to the

Underwriters, in the quantities and to the locations specified by the Underwriters, (ii) all costs and expenses related to the transfer and delivery of the Offered Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) all expenses in connection with the qualification of the Offered Shares for offer and sale under applicable securities laws as provided in clause 6(b) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with any legal investment memorandum, (iv) all filing fees incurred in connection with the offering of the Offered Shares, (v) the cost of printing certificates representing the Offered Shares, (vi) the costs and charges of any transfer agent, registrar or depositary and all fees and expenses of the Canadian Depositary for Securities Limited, (vii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Offered Shares, including, without limitation, costs related to investor lunches and conference facilities (other than conference facilities at the offices of the Underwriters), and travel and lodging expenses of the representatives and officers of the Company; (viii) the qualification of the Offered Shares and the Over-Allotment Option under the Canadian Securities Laws, including listing fees on the TSX and all filing or similar fees required by the Securities Regulators; (ix) the document production charges and expenses associated with printing this Agreement; and (x) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section 6. It is understood, however, that except as provided in this Section 6 and in Section 9 entitled "Indemnity and Contribution", the Underwriters will pay all of their costs and expenses, including stock transfer taxes payable on resale of any of the Offered Shares by them and any advertising expenses connected with any offers they may make.

- (d) The Offered Shares to be issued and sold by the Company hereunder shall be duly and validly issued by the Company and, when issued and sold by the Company, such Offered Shares shall have the attributes set out in the Offering Documents.
- (e) The Company will, by no later than May 28, 2007, prepare and file the Preliminary Prospectus in order to qualify the Offered Shares and the Over-Allotment Option for distribution in each of the Qualifying Jurisdictions in accordance with the Securities Laws and will use reasonable commercial efforts to obtain the Preliminary MRRS

Decision Document not later than 5:00 p.m. (Toronto time) on May 28, 2007.

- (f) The Company will prepare and file the Prospectus and will use reasonable commercial efforts to obtain the Final MRRS Decision Document from the Ontario Securities Commission, as principal regulator of the Company under the MRRS, evidencing that receipts for the Prospectus were obtained from each of the Securities Regulators in the Qualifying Jurisdictions in order to qualify the Offered Shares and the Over-Allotment Option for distribution in each of the Qualifying Jurisdictions in accordance with the Securities Laws, as soon as possible, and, shall obtain such Final MRRS Decision Document, in any event, not later than 5:00 pm (Toronto Time) on June 5, 2007 (or such other time and/or later date as the Company and the Underwriters may agree).
- (g) Until the date on which the distribution of the Offered Shares and the Over-Allotment Option is completed, the Company will promptly take, or cause to be taken, all additional steps and proceedings that may from time to time be required under the Canadian Securities Laws to continue to qualify the distribution of the Offered Shares and the Over-Allotment Option.
- (h) The Company shall deliver or cause to be delivered, to the Underwriters, without charge, in Toronto, Ontario, contemporaneously with or prior to the filing of the Preliminary Prospectus or any Supplementary Material, as the case may be:
  - (i) a copy of the Preliminary Prospectus in the English, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (ii) a copy of any Supplementary Material required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein; and
  - (iii) a copy of the Preliminary International Offering Memorandum.
- (i) The Company shall deliver or cause to be delivered to the Underwriters, without charge, as soon as possible and in any event not later than the first business day after the date that the Preliminary Prospectus or Supplementary Material is filed with the Securities Regulators, such number of commercial copies of the Preliminary

Prospectus or Supplementary Material in respect thereof (including the Preliminary International Offering Memorandum) as the Underwriters reasonably require.

- (j) The Company shall deliver or cause to be delivered, to the Underwriters, without charge, in Toronto, Ontario, contemporaneously with or prior to the filing of the Prospectus or any Supplementary Material, as the case may be:
- (i) a copy of the Prospectus in the English, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (ii) a copy of each consent required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including the consent of the Company's Auditors, Company's Canadian Counsel and Pöyry Forest Industry Ltd. together with copies of any other ancillary documents required to be filed by the Company under the Canadian Securities Laws;
  - (iii) a copy of any Supplementary Material required to be filed by the Company under the Canadian Securities Laws, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
  - (iv) a copy of the Final International Offering Memorandum;
  - (v) a comfort letter or letters dated the date of the Prospectus and addressed by the Company's Auditors to the Underwriters and the directors and Chief Executive Officer and Chief Financial Officer of the Company, in form and substance satisfactory to the Underwriters and Underwriters' Counsel, acting reasonably, with respect to certain financial and accounting information relating to the Company contained in the Prospectus, which comfort letter shall be based on a review by the Company's Auditors having a cut-off date of not more than two Business Days prior to the date of the letter or letters, as applicable, and shall be in addition to the auditors' reports contained in the Prospectus and the auditors' comfort letter addressed to the Securities Regulators; and
  - (vi) a letter from the TSX advising the Company that approval of the conditional listing of the Offered Shares has been granted by the

TSX, subject to the satisfaction of certain conditions set out therein.

- (k) The Company shall deliver or cause to be delivered to the Underwriters, to the locations directed by the Underwriters, without charge, as soon as possible and in any event not later than the first Business Day after the date that the Prospectus is filed with the Securities Regulators, such number of commercial copies of the Prospectus and copies of the Final International Offering Memorandum, as the Underwriters require.
- (l) During the period of distribution to the public of the Offered Shares, which shall be the period from the date hereof to the date upon which the Company has received notice from the Underwriters of the completion thereof, the Company shall promptly notify the Underwriters in writing of:
- (i) any material fact that has arisen or has been discovered which would have been required to have been stated in the Offering Documents, as the case may be, had the fact arisen or been discovered on, or prior to, the date of such document; and
  - (ii) any change in a material fact in the Offering Documents, as the case may be, or the existence of any new material fact, which change or new material fact is, or may be of such a nature as:
    - (iii) to render the Offering Documents misleading or untrue;
    - (iv) would result in the Preliminary Prospectus, the Prospectus and the Supplementary Material not complying with any Canadian Securities Laws, the Preliminary International Offering Memorandum or the Final International Offering Memorandum not complying with applicable securities laws;
    - (v) would reasonably be expected to have a significant effect on the market price or value of the Offered Shares or which would restrict or prevent the trading of the Offered Shares; or
    - (vi) would be reasonably considered material to a prospective purchaser of the Offered Shares.

In any such case, the Company shall promptly and, in any event within applicable time limitations required by the Canadian Securities Laws, comply with all legal requirements necessary to comply with the

Canadian Securities Laws in order to allow for the continued distribution of the Offered Shares and the Over-Allotment Option in the Qualifying Jurisdictions as contemplated in Section 3 hereof.

- (m) The Company shall in good faith discuss with the Underwriters any change in circumstances (actual, proposed or prospective) which is of such a nature that there is reasonable doubt whether notice need be given to the Underwriters pursuant to Subsection 6(1), it being understood that no Supplementary Material will be filed with the Securities Regulators prior to the review and approval by the Underwriters, acting reasonably.
- (n) At the respective times of filing, the Preliminary Prospectus, the Prospectus and any Supplementary Material will comply with the requirements of the Canadian Securities Laws.
- (o) Following the execution of this Agreement, the Company will (i) prepare and file or cause to be prepared and filed all documents and take or cause to be taken all actions required under the by-laws, rules, policies and regulations of the TSX in order to issue and sell to the Underwriters the Offered Shares for distribution to the public in the Qualifying Jurisdictions and for the Offered Shares to be listed on the TSX prior to or on the Closing Date, and (ii) make all necessary filings and use its best efforts to obtain all necessary regulatory and other consents and approvals required in connection with the transactions contemplated by this Agreement.
- (p) The Company will advise the Underwriters, promptly after receiving notice thereof, of the time when any amendment or supplement to the Prospectus and any Supplementary Material has been filed and a Final MRRS Decision Document for the Prospectus has been issued by the Ontario Securities Commission, as the principal regulator of the Company under the MRRS, and will provide evidence satisfactory to the Underwriters of such document.
- (q) The Company will, until the end of the distribution, advise the Underwriters, promptly after receiving notice or obtaining knowledge thereof, of: (i) the issuance of any order suspending or preventing the use of the Offering Documents; (ii) the imposition of cease trading or similar orders affecting the Offered Shares or any other securities of the Company; (iii) the institution, threatening or contemplation of any proceeding for any such purpose; or (iv) any request made by any Securities Regulator for amending or supplementing the Prospectus or any Supplementary Material or any request made by any other

securities regulatory authority for amending or supplementing the Final International Offering Memorandum. The Company will use its best efforts to prevent the issuance of any such order and, if any such order is issued, to obtain the withdrawal thereof as quickly as possible.

- (r) Prior to the filing of the Offering Documents, the Company shall allow the Underwriters to participate fully in the preparation thereof, and shall allow the Underwriters to conduct all due diligence investigations which the Underwriters may reasonably require in order to fulfill its obligations as an underwriter and in order to enable the Underwriters to responsibly execute the certificate required to be executed by the Underwriters in the Prospectus and any Supplementary Materials.

7. *Covenants of the Underwriters.* The Underwriters covenant with the Company as follows:

- (a) They will not to make any representation or warranty as to the Company or the Offered Shares other than as set forth in the Offering Documents.
- (b) The Offered Shares shall be offered for sale by the Underwriters to the public in the Qualifying Jurisdictions in compliance with the Canadian Securities Laws upon the terms and conditions set forth herein and in the Prospectus including applicable registration requirements. The Underwriters shall cause similar undertakings to be contained in any agreements among the members of any banking, selling or other groups formed for the distribution of the Offered Shares.
- (c) If they offer to sell or sell any Offered Shares in jurisdictions other than the Qualifying Jurisdictions, such offers or sales shall be effected in accordance and compliance with the applicable laws of such jurisdictions and shall be effected in such manner so as not to require registration of the Offered Shares, or the filing of a prospectus, registration statement or any other notice or document with respect to the distribution of the Offered Shares and the Over-Allotment Option, under the laws of any jurisdiction outside the Qualifying Jurisdictions including, without limitation, the United States and the PRC. The Underwriters shall cause similar undertakings to be contained in any agreements among the members of any banking, selling or other groups formed for the distribution of the Offered Shares.
- (d) They agree, and will require each member of the banking or selling group, if any, to agree, to observe the United States selling restrictions



set forth in Section 8 hereof and the Company agrees for the benefit of the Underwriters to comply with its covenants as set forth in Section 8 hereof. The Underwriters represent and warrant that they will not offer or sell any of the Offered Shares within the United States except for offers and sales made through U.S. selling agents in accordance with Rule 144A under the 1933 Act. For greater certainty, notwithstanding any other provision of this Agreement, Credit Suisse will not offer or sell any of the Offered Shares within the United States.

- (e) They shall after the Closing Time (a) use its reasonable commercial efforts and will require each member of the banking or selling group, if any, to agree, to terminate, distribution of the Offered Shares as promptly as possible; and (b) give prompt written notice to the Company, with a copy to Company's Counsel, when, in the opinion of the Underwriters, they, and the members of such groups, have ceased distribution of the Offered Shares and of the total proceeds realized from such distribution in each of the respective Qualifying Jurisdictions in which such information is or may be required by the appropriate Securities Regulators.

8. *International Offers and Sales.*

- (a) The Underwriters intend to offer and sell the Offered Shares within and outside the United States in the International Offering on the terms and subject to the conditions of this Section 8. In that connection, the Company hereby further represents, warrants, covenants and agrees to and with the Underwriters that:
  - (i) it is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters in the manner contemplated by this Agreement to register the Offered Shares under the 1933 Act.
  - (ii) the Company is a "foreign issuer" within the meaning of Regulation S and reasonably believes that there is no Substantial U.S. Market Interest with respect to the Offered Shares.
  - (iii) the Company is not, and after giving effect to the offering and sale of the Offered Shares and the application of the proceeds thereof as described in the Offering Documents will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

- (iv) the Offering Documents, at the respective dates thereof, did, do and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Such documents, at the date hereof, do not and at the Closing Time will not (and any amendment or supplement thereto or final form thereof, at the date thereof and at the Closing Time will not) contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- (v) none of the Company, its Affiliates or anyone acting on their behalf (other than the Underwriters, its Affiliates or any person acting on their behalf, as to which no representation is made) directly or indirectly, has taken or will take any action in violation of Regulation M under the 1934 Act in connection with the offer and sale of the Offered Shares.
- (vi) the Company is not and will not become, as a result of the issuance and sale of the Offered Shares and the application of the proceeds thereof, a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, and does not anticipate becoming a passive foreign investment company in the foreseeable future.
- (vii) neither the Company nor any Affiliate of the Company, directly, or through any agent, (i) has sold, offered for sale, solicited offers to buy or otherwise negotiated, or will sell, offer for sale or solicit offers to buy or otherwise negotiate, in respect of, any security (as defined in the 1933 Act) which is or will be integrated with the sale of the Offered Shares in a manner that would require the registration under the 1933 Act of the Offered Shares or (ii) offered, solicited offers to buy or sold, or will offer, solicit offers to buy or sell, the Offered Shares by any form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) or in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act.
- (viii) none of the Company, its Affiliates or any person acting on its behalf or their behalf has engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares and

the Company and its Affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirements of Regulation S.

- (ix) the Offered Shares satisfy the requirements set forth in Rule 144A(d)(3) under the 1934 Act.
  - (x) during the period of two years after the Closing Date or any Option Closing Date, if later, the Company will not, and will not permit any of its Affiliates to, resell any of the Offered Shares which constitute "restricted securities" under Rule 144 that have been reacquired by any of them.
  - (xi) none of the Company, its Affiliates, and persons acting on its or their behalf (other than the Underwriters) will sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in the 1933 Act) which could be integrated with the sale of the Offered Shares in a manner which would require the registration of the Offered Shares under the 1933 Act.
  - (xii) for the benefit of any holder of Offered Shares or potential purchaser thereof, that for so long as any of the Common Shares are outstanding and are "restricted securities" within the meaning of Section (a)(3) of Rule 144 under the 1933 Act, it will provide to any holder of Offered Shares and any prospective purchaser thereof designated by such holder for so long as such requirement is necessary in order to permit holders of Offered Shares to effect resales under Rule 144A, upon the request of such holder or purchaser, at or prior to the time of purchase, the information required to be provided to such holder or prospective purchaser by Section (d)(4) of Rule 144A unless it either furnishes to the SEC the information referred to in Rule 12g3-2(b) under the 1934 Act or files reports and other information with the SEC under Section 13 or 15(d) of the 1934 Act.
- (b) With respect to offers and sales within the United States pursuant to the International Offering, the Underwriters agree with the Company that:
- (i) (A) it will solicit (and will cause its U.S. affiliate to solicit) offers for the Offered Shares in the United States only from, and will offer (and cause its U.S. affiliate to offer) the Offered Shares only

to, persons who it reasonably believes to be Qualified Institutional Buyers in accordance with Rule 144A and (B) it will not, and will cause its U.S. Affiliates not to, sell any Offered Shares in the United States except in definitive, fully registered form to purchasers;

- (ii) it has not offered or will not offer to sell, has not solicited or will not solicit any offer to buy, by any form of general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) or in any manner involving a public offering within the meaning of Section 4(2) of the 1933 Act, any of the Offered Shares; and
  - (iii) it is an "accredited investor" within the meaning of Regulation D under the 1933 Act.
- (c) The Underwriters have not entered, and will not enter, into any contractual arrangement with respect to the distribution of the Offered Shares in the United States, except with its Affiliates, without the prior written consent of the Company, except that nothing in this Section 8 shall in any way restrict offers and sales in accordance with Rule 144A.
- (d) With respect to offers and sales outside the United States and Canada, pursuant to the International Offering, the Underwriters agree with the Company that:
- (i) the Underwriters understand that no action has been or will be taken in any jurisdiction (other than Canada) by the Company that would permit a public offering of the Offered Shares, or possession, or distribution of the Offering Documents or any other offering or publicity material relating to the Offered Shares in any country or jurisdiction where action for that purpose is required;
  - (ii) the Underwriters will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Offered Shares or has in its possession, or distributes the Offering Documents, in all cases at its own expense;
  - (iii) the Offered Shares have not been registered under the 1933 Act and may not be offered or sold within the United States except in accordance with Rule 144A or Regulation S under the 1933 Act or pursuant to another exemption from the registration requirements of the 1933 Act; and

- (iv) the Underwriters have offered the Offered Shares and will offer and sell the Offered Shares in offshore transactions outside the United States as part of their distribution at any time only in accordance with Rule 903 of Regulation S or as otherwise permitted under the 1933 Act. Accordingly, none of the Underwriters, its Affiliates nor any persons acting on their behalf have engaged or will engage in any Directed Selling Efforts with respect to the Offered Shares and any of the Underwriters, their Affiliates and any such persons have complied and will comply with the offering restrictions requirement of Regulation S.

9. *Indemnity and Contribution.*

- (a) The Company agrees to indemnify and hold harmless the Underwriters, their directors, their officers and each person, if any, who controls the Underwriters within the meaning of either Section 15 of the 1933 Act or Section 20 of the 1934 Act, and each affiliate of the Underwriters within the meaning of Rule 405 under the 1933 Act (each an "Indemnified Party") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) (collectively, a "Claim") caused by (i) any untrue statement or alleged untrue statement made by the Company in Section 2 hereof or in any certificate delivered to the Underwriters pursuant to this Agreement; (ii) any misrepresentation or alleged misrepresentation (for purposes of Canadian Securities Laws), or any untrue statement or alleged untrue statement of a material fact contained in any of the Offering Documents (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of the circumstances under which they are made not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such misrepresentation, untrue statement or omission or alleged misrepresentation, untrue statement or omission based upon information relating to the Underwriters furnished to the Company in writing by the Underwriters expressly for use therein; (iii) the Company not complying with any requirement of Canadian Securities Laws or U.S. Securities Laws; or (iv) any order made or inquiry, investigation or proceeding (formal or informal) commenced or threatened by any officer or official of any Securities Regulator based

upon the circumstances described in paragraphs 9(a)(ii) or 9(a)(iii) above which operates to prevent or restrict trading in or distribution of the Offered Shares or any other securities of the Company in any of the Qualifying Jurisdictions.

- (b) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a), such Indemnified Party shall promptly notify the Company in writing of the nature of the Claim and the Company, upon request of the Indemnified Party, shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Company may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless i) the Company and the Indemnified Party shall have mutually agreed to the retention of such counsel or ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Company shall not, in respect of the legal expenses of any Indemnified Party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all such Indemnified Parties and that all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by the Underwriters, in the case of parties indemnified pursuant to Section 9(a). The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Company to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such Company of the aforesaid request and (ii) the Company shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of

such settlement. The Company shall not, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such proceeding.

- (c) In the event that the Company does not assume the defence of a Claim within thirty (30) days after receiving notice thereof, the Indemnified Party shall have the right to retain his, her or its own legal counsel and the Company shall bear the reasonable fees, costs and expenses of such counsel. Notwithstanding the foregoing, in no event shall the Company be required to pay the fees and expenses of more than one set of counsel for all of the Indemnified Parties in a jurisdiction in respect of any particular Claim or related set of Claims.
- (d) The Company hereby waives its right to recover contribution from any of the Underwriters or any other Indemnified Party with respect to any liability of the Company by reason of or arising out of any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) contained in the Offering Documents provided, however, that such waiver shall not apply in respect of liability caused or incurred by reason of or arising out of:
  - (i) any misrepresentation (for the purposes of the Canadian Securities Laws or any of them) which is based upon or results from a statement or information relating solely to the Underwriters contained in such documents; or
  - (ii) any failure by the Underwriters or members of their banking or selling group (if any) to provide to purchasers of the Offered Shares any document which the Company is required to provide to such purchasers and which it has provided to the Underwriters to forward to such purchasers.
- (e) With respect to any Indemnified Party who is not a party to this Agreement, the Underwriters shall obtain and hold the rights and benefits of this Section 9 in trust for and on behalf of such Indemnified Party.
- (f) To the extent the indemnification provided for in Section 9(a) is unavailable to an Indemnified Party or insufficient in respect of any Claims referred to therein, then the Company, in lieu of indemnifying

such Indemnified Party thereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering of the Offered Shares or (ii) if the allocation provided by clause 9(f)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(f)(i) above but also the relative fault of the Company on the one hand and of the Underwriters on the other hand in connection with the misrepresentation, statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Offered Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Offered Shares (net of the fee payable to the Underwriters but before deducting expenses) received by the Company and the total underwriting discounts and commissions received by the Underwriters, bear to the aggregate offering price of the Offered Shares. The Underwriters shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate fees actually received by the Underwriters from the Company. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the misrepresentation or alleged misrepresentation, the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such misrepresentation, statement or omission.

- (g) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation or by any other method of allocation that does not take account of the equitable considerations referred to in clause 9(f). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages and liabilities referred to in clause 9(f) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriters shall not in any event be liable to contribute, in the aggregate, any



amounts in excess of the aggregate fees actually received by the Underwriters from the Company. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any Indemnified Party at law or in equity.

- (h) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of the Underwriters, any person controlling the Underwriters or any affiliate of the Underwriters or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Offered Shares.

10. *Obligations of Underwriters*

- (a) Subject to the terms hereof, the obligations of the Underwriters to purchase the Offered Shares at the Closing Time or Option Closing Time, as applicable, shall be several and not joint and several and their respective obligations and rights in this regard shall be in the following percentages:

|  |     |
|--|-----|
| Dundee Securities Corporation          | 45% |
| CIBC World Markets Inc.                | 20% |
| Merrill Lynch Canada, Inc.             | 10% |
| Credit Suisse Securities (Canada) Inc. | 10% |
| UBS Securities Canada Inc.             | 10% |
| Haywood Securities Inc.                | 5%  |

- (b) If one or more of the Underwriters should default in its obligations to purchase its respective percentage of the Offered Shares (the "Defaulted Securities") at the Closing Time or Option Closing Time, the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all but not less than all of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Underwriters shall not have completed such arrangements within such 24 -hour period, then:

- (i) if the number of Defaulted Securities is less than 10% of the number of Offered Shares to be purchased hereunder, the non-defaulting Underwriters shall be obligated, each severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations bear to the underwriting obligation of all non-defaulting Underwriters, or
  - (ii) if the number of Defaulted Securities is 10% or more of the number of Offered Shares to be purchased hereunder, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.
- (c) In the event of any default by an Underwriter as described in this Section 10, the non-defaulting Underwriter shall have the right to postpone the Closing Date or Option Closing Date for not more than three (3) Business Days in order that any changes in the arrangements or documents for the purchase and delivery of the Offered Shares may be made. Nothing in this Section 10 shall require the Company to sell less than all of the Firm Shares or Over-Allotment Shares, as applicable, or relieve any defaulting Underwriter from liability in respect of its default hereunder to the Company and to the non-defaulting Underwriters.

11. *Termination.*

- (a) In addition to any other remedies which may be available to the Underwriters, any Underwriter shall be entitled, without liability, at such Underwriter's sole discretion, to terminate and cancel such Underwriter's obligations under this Agreement by notice to the Company given prior to the Closing Time if, at or prior to the Closing Time:
  - (i) Trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the Nasdaq Global Market, the Chicago Board of Options Exchange, the Chicago Mercantile Exchange, the Chicago Board of Trade or the London Stock Exchange;
  - (ii) Trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market;

- (iii) A material disruption in securities settlement, payment or clearance services in the United States, Canada or London shall have occurred;
- (iv) Any moratorium on commercial banking activities shall have been declared by Canadian, U.S. Federal or New York State authorities, UK authorities or the European Central Bank;
- (v) There should occur or commence, or be announced or threatened, any inquiry, action, suit, investigation or other proceeding (whether formal or informal) other than any inquiry, action, suit, investigation or other proceeding based on alleged activities of the Underwriters, or any order is issued by any governmental authority, other than an order based on the alleged activities of the Underwriters, or any law or regulation is promulgated, changed or announced or there is any change in the interpretation or administration of any law or regulation, which, in the reasonable opinion of the Underwriters (or any of them), is expected to prevent or materially suspend or restrict the trading in or the distribution of the Offered Shares, or any other securities of the Company or would be expected to have a material adverse effect on the market price or value of the Offered Shares or any other securities of the Company;
- (vi) There should develop, occur or come into effect or existence, any event, action, state, condition or occurrence of national or international consequence, acts of hostilities, terrorism, or escalation thereof or other calamity or crisis, any change in currency exchange rates or controls in Canada, the United States, the United Kingdom, Hong Kong, the PRC or elsewhere or any change or development involving a prospective change in national or international political, financial or economic conditions, or any law, action, regulation or other occurrence of any nature whatsoever which, in the reasonable opinion of the Underwriters (or any of them), materially adversely affects or involves, or is expected to materially adversely affect or involve, financial markets generally or the business, affairs or operations of the Company; or
- (vii) There should occur or be discovered any material change in the Condition of the Company or any change in any material fact such as is contemplated in Section 6 hereof (other than a change related solely to the Underwriters), or the Underwriters become aware of any undisclosed material information, which, in the

reasonable opinion of the Underwriters (or any of them), could be expected to have a material adverse effect on the market price or value of the Common Shares or any other securities of the Company.

- (b) All terms and conditions of this Agreement shall be construed as conditions, and any breach or failure by the Company to comply with any of such terms and conditions in all material respects shall entitle the Underwriters, or any of them, to terminate their obligations to purchase the Offered Shares by notice to that effect given to the Company at or prior to the Closing Time. The Underwriters may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to their rights in respect of any other of such terms and conditions or any other or subsequent breach or non-compliance; provided, however, that to be binding on the Underwriters any such waiver or extension must be in writing and signed by all of the Underwriters.
- (c) The rights of termination contained in this Section 11 may be exercised by the Underwriters (or any of them) and are in addition to any other rights or remedies the Underwriters (or any of them) may have in respect of any default, act or failure to act or non-compliance by the Company in respect of any of the matters contemplated by this Agreement or otherwise. A notice of termination given by an Underwriter under this Section 11 shall not be binding upon the other Underwriters. In the event that one or more, but not all of the Underwriters shall exercise the right of termination herein, the other Underwriter(s) shall have the right, but shall not be obligated, to purchase all of the Offered Shares which would otherwise have been purchased by the Underwriter(s) which has so terminated. Nothing in this Section 11 shall oblige the Company to sell to the Underwriters less than all of the Offered Shares.

12. *Effectiveness.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If this Agreement shall be terminated by the Underwriters because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by the Underwriters in connection with this Agreement or the offering contemplated hereunder.

13. *Counterparts.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

14. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Any suit, action or proceeding against any party hereto or any of its assets arising out of or relating to this Agreement may be brought in a competent court of the Province of Ontario and each party hereto hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of such court over the subject matter of any such suit, action or proceeding. Each party hereto irrevocably waives and agrees not to raise any objection it might now or hereafter have to any such suit, action or proceeding in any such court including any objection that the place where such court is located is an inconvenient forum or that there is any other suit, action or proceeding in any other place relating in whole or in part to the same subject matter.

15. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

16. *Notices.* All communications hereunder shall be in writing and shall be telecopied or delivered, and shall, in the case of notice to the Company, be addressed and sent to:

Sino-Forest Corporation  
90 Burnhamthorpe Road West  
Suite 1208  
Mississauga, Ontario  
Canada, L5B 3C3

Attention: Mr. Allen T. Y. Chan  
Telecopier No.: (852) 2877-0125

And in the case of notice to the Underwriters, be addressed and sent to:

Dundee Securities Corporation  
1 Adelaide Street East  
Suite 2700  
Toronto, Ontario  
M5C 2V9

Attention: Mr. Dave Anderson

Telecopier No.: (416) 350-3312

The parties may change their respective addresses and telecopy numbers for notice, by notice given in the manner aforesaid. Any such notification shall be deemed to be effective when telecopied or delivered, if telecopied or delivered to the recipient on a Business Day and before 3:00 p.m. (Toronto time) on such Business Day, and otherwise shall be deemed to be given at 9:00 a.m. (Toronto time) on the next following Business Day.

17. *Successors.* This Agreement shall enure to the benefit of, and shall be binding upon, the Underwriters and the Company and their respective successors and legal representatives and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions herein contained, this Agreement and all conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person.

18. *Public Announcements.* The Company agrees that it shall not make any public announcements regarding the transactions contemplated hereunder without the prior written consent of the Underwriters, such consent not to be unreasonably withheld. The Company agrees that, following Closing, the Underwriters may, at the Underwriters expense, place "tombstone" and other advertisements relating to its role in connection with the Offering.

19. *Time of Essence.* Time shall be of the essence of this Agreement.

20. *Survival.* The respective representations, warranties, agreements, covenants, indemnities and contribution obligations of the Company and the Underwriters set forth in this Agreement shall survive the Closing Date and remain in full force and effect regardless of: (i) any investigation made by or on behalf of the Company, the Underwriters or any of their respective officers or directors; (ii) delivery of and payment for the Offered Shares; and (iii) any subsequent disposition by the Underwriters of the Offered Shares.

21. *Authority of Dundee.* Dundee is hereby authorized by the other Underwriters to act on its behalf and the Company shall be entitled to and shall act on any notice given in accordance with this Agreement or any agreement entered into by or on behalf of the Underwriters by Dundee which represents and warrants that they have irrevocable authority to bind the Underwriters, except in respect of any matters relating to termination, waiver or extension, and Sections 9, 10 and 11, which matters may be acted on by only the Underwriter affected. Dundee shall consult with the other Underwriters concerning any matter in respect of which it acts as

representative of the Underwriters. The obligations of the Underwriters under this Agreement shall be several and not joint and several.

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Very truly yours

SINO-FOREST CORPORATION

By: (Signed) ALLEN T.Y. CHAN  
 Name: Allen T.Y. Chan  
 Title: Chief Executive Officer

Accepted as of the date hereof

DUNDEE SECURITIES  
 CORPORATION

By: (Signed) DAVID ANDERSON  
 Name: David Anderson  
 Title: Executive Vice President &  
 Director

CIBC WORLD MARKETS INC.

By: (Signed) ALAN C. WALLACE  
 Name: Alan C. Wallace  
 Title: Vice Chairman &  
 Managing Director

MERRILL LYNCH CANADA, INC.

By: (Signed) PAUL ALLISON  
 Name: Paul Allison  
 Title: Executive Vice President &  
 Managing Director

CREDIT SUISSE SECURITIES  
 (CANADA) INC.

By: (Signed) RYAN LAPOINTE  
 Name: Ryan Lapointe  
 Title: Vice President

UBS SECURITIES CANADA INC.

(Signed) MICHAEL J. KOUSAIE  
 Name: Michael J. Kousaie  
 Title: Executive Director

HAYWOOD SECURITIES INC.

By: (Signed) BLAKE CORBET  
 Name: Blake Corbet  
 Title: Managing Director,  
 Investment Banking



SCHEDULE "A"  
OPINION OF COMPANY'S CANADIAN COUNSEL

The opinion of the Company's Canadian Counsel shall relate to the following matters:

1. The Company has been continued and is existing under the laws of Canada, and has all requisite corporate power, capacity and authority to carry on its business and to own, lease and operate its property and assets as described in the prospectus and to execute, deliver and perform its obligations under the Underwriting Agreement.
2. The authorized share capital of the Company consists of an unlimited number of common shares ("Common Shares") and an unlimited number of preference shares issuable in series (the "Preferred Shares"), of which, prior to the issuance of the Offered Shares, ● Common Shares and no Preferred Shares are duly and validly authorized and issued as fully paid and non-assessable.
3. All necessary corporate action has been taken by the Company to authorize and issue the Offered Shares and, upon receipt by the Company of payment therefor by the Underwriters as provided by the Underwriting Agreement, the Offered Shares will have been validly authorized and issued by the Company as fully paid and non-assessable Common Shares. There are no provisions contained in the articles or by-laws of the Company or under the *Canada Business Corporations Act* that entitle any person to pre-emptive rights in respect of the Offered Shares.
4. To our knowledge, the Company does not have any material subsidiaries organized under the laws of Canada or a province or territory of Canada.
5. All necessary corporate action has been taken by the Company to authorize the execution and delivery of each of the Preliminary Prospectus and the Prospectus and the filing thereof under Canadian Securities Laws in each of the Qualifying Jurisdictions and the distribution of each of the Preliminary International Offering Memorandum and the Final International Offering Memorandum (collectively, the "Offering Memorandum").
6. All necessary corporate action has been taken by the Company to authorize the execution and delivery of the Underwriting Agreement and the performance of the Company's obligations thereunder and the Underwriting Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

7. The execution and delivery of the Underwriting Agreement and the performance of the Company's obligations thereunder and the issuance, sale and delivery of the Offered Shares, and the use of the proceeds therefrom, do not and will not result in a breach of or default under, and do not and will not create a state of facts which, after notice or lapse of time or both, will result in a breach of or default under, and do not and will not conflict with:
- (a) any of the terms, conditions or provisions of the articles or by-laws of the Company, or any resolution of any of its directors (or committees of directors) or shareholders; or
  - (b) any laws of the Province of Ontario or the federal laws of Canada applicable therein; or
  - (c) the mortgages, hypothecs, notes, indentures, contracts, agreements and instruments ("Contracts") governed by the laws of the Province of Ontario under which the Company is bound and which are identified on the Officer's Certificate (other than those in respect of which waivers or consents have been received or will be received prior to the Closing Time), except for such conflicts, breaches or defaults which would not:
    - (i) individually or in the aggregate, have a material adverse effect on the general affairs, management, shareholders' equity, results of operations or position, financial or otherwise, of the Company, or
    - (ii) affect the validity of, or have any adverse effect on, the issue and sale of the Offered Shares or other transactions contemplated under the Underwriting Agreement.
8. To our knowledge, there are no legal or governmental proceedings pending or threatened to which the Company or its Subsidiaries is a party or to which any of their material properties or assets are subject other than as described in the Prospectus or have been disclosed to you in writing.
9. The attributes of the Offered Shares are consistent in all material respects with the description thereof in the Prospectus.
10. The form of definitive share certificate representing the Offered Shares has been duly approved and adopted by the Company, complies with applicable law, the articles and the by-laws of the Company and the resolution of the board of directors relating thereto and the share certificate(s) representing the Offered Shares delivered at the Closing Time has or have been duly issued, executed and delivered by or on behalf of the Company.

11. The Offered Shares have been conditionally approved for listing by the TSX, subject to compliance by the Company with the terms and conditions contained in the letter from the TSX to the Company dated ●, 2007.
12. The Offered Shares are qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds and deferred profit sharing plans under the *Income Tax Act* (Canada).
13. CIBC Mellon Trust Company at its principal office in the City of Toronto has been duly appointed as the transfer agent and registrar for the Offered Shares.
14. All documents have been filed and all requisite proceedings have been taken and all approvals, permits, consents and authorizations of appropriate regulatory authorities under Canadian Securities Laws have been obtained to qualify the distribution of the Offered Shares and the Over-Allotment Option in each of the Qualifying Jurisdictions through investment dealers or brokers duly registered under the Canadian Securities Laws of each such Qualifying Jurisdiction who have complied with the relevant provisions of the Canadian Securities Laws of such Qualifying Jurisdiction.
15.
  - (a) The statements made in the Offering Memorandum under the caption "Taxation—Canada" fairly present a general summary of the principal Canadian federal income tax considerations generally applicable to a U.S. Resident, as defined therein, who acquires Offered Shares pursuant to the Offering Memorandum.
  - (b) The statements made in the Prospectus under the caption "Description of Securities Being Distributed", insofar as such statements constitute summaries of the principal attributes of the share capital of the Company or summaries of certain provisions of the *Canada Business Corporations Act*, constitute fair summaries of such attributes and provisions.
  - (c) The statements made in the Offering Memorandum under the caption "Enforcement of Civil Liabilities", insofar as the matters of Ontario law and the federal laws of Canada applicable therein are concerned, are true and accurate.
16. That nothing has come to our attention that leads us to believe that the information contained in the Management Information Circular dated April 27, 2007 prepared in connection with the Company's annual and special shareholders' meeting held on May 28, 2007 (other than the information

contained under the headings "Executive Compensation - Summary Compensation Table", "Executive Compensation - Compensation and Nominating Committee and Report on Executive Compensation", "Executive Compensation - Shareholder Return Performance Graph", "Indebtedness of Directors and Executive Officers" and "Report on Corporate Governance"), when taken together with the disclosure relating to such matters in the Prospectus, contains any untrue statement of a material fact or omits to state a material fact necessary to make a statement therein not misleading in the light of the circumstances in which it was made, within the meaning of the *Securities Act* (Ontario).

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel. In giving their opinions, such counsel shall also be entitled to rely exclusively upon the opinions of local counsel as to the matters mentioned above relating to jurisdictions other than the Province of Ontario.

SCHEDULE "B"  
OPINION OF COMPANY'S PRC COUNSEL

The opinion of the Company's PRC Counsel shall relate to the following matters:

1. Each of Jiangxi Jiachang Forestry Development Co., Ltd. and Heyuan Jiahe Forestry Development Co., Ltd. (each a "Cooperative Joint Venture Company"; collectively, the "Cooperative Joint Venture Companies") has been duly incorporated under the laws of the PRC as a cooperative joint venture enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct its business as described in the Offering Documents and its constitutive documents, including but not limited to, the business license (the "Joint Venture Documents"), and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification.
  
2. Each of Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. (each a "WFOE"; collectively, the "WFOEs"; and together with the Cooperative Joint Venture Companies, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights as disclosed in Item 14 of this opinion) and to conduct business as described in the Offering Documents and its business license, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification. As confirmed by the Company, Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. are newly established and have not commenced their

business operation.

3. To the best of our knowledge, each of Sino-Forest Resources Inc. and Suri-Wood Inc. (each a "Foreign Company"; collectively, the "Foreign Companies") has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
4. Each of Sino-Wood (Jiangxi) Limited (HK) and Sino-Wood (Guangdong) Limited (HK) (each a "Foreign Party"; collectively, the "Foreign Parties") is the sole contributor of the respective registered capital of each of the Cooperative Joint Venture Companies respectively and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the Cooperative Joint Venture Companies as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such Cooperative Joint Venture Company) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
5. Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited and Sino-Panel (Hunan) Limited is the owner of the 100% registered capital of each of the WFOEs respectively, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law) or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
6. The contracted registered capital of each of the Cooperative Joint Venture Companies has been subscribed in full by the Foreign Parties of each such Cooperative Joint Venture Company and all government approvals relating to

the subscription thereof have been issued and are in full force and effect. Except for [Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., whose registered capital shall be fully subscribed by [\*] 2007, [\*] 2007 and [\*] 2007 respectively in accordance with their respective approvals], the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

7. The performance of each Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, of its obligations under the Joint Venture Documents to which it is a party does not contravene, in any material respect, (i) any provision of any PRC law or regulation or (ii) any approval, judgment, order, decree or regulation of any governmental body or agency or any court in the PRC having jurisdiction over such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, or any of the properties of assets of such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be.
8. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a material adverse effect on the PRC Subsidiaries as a whole or on any of the PRC Subsidiaries individually.
9. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, none of the Foreign Companies is, under the current business model as presently conducted and as described in the Offering Documents, in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, , except for such defaults that would not have a material adverse effect on the Foreign

Companies taken as a whole or on any of the Foreign Companies individually.

10. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, each of the PRC Subsidiaries has duly filed all required tax returns and has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For the Foreign Companies conducting authorized trading operations, the PRC taxes which they are required to pay shall be withheld and paid by their respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of the Foreign Companies as disclosed in the Offering Documents.
11. The articles of association of each PRC Subsidiary have been approved by its respective approving authority, are in full force and effect and comply with the requirements of applicable law of the PRC in all material respects.
12. Each of the Joint Venture Documents applicable to each Cooperative Joint Venture Company or Foreign Party constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms.
13. The carrying on of the authorized trading operations by Foreign Companies pursuant to the relevant agreements to which it is a party does not contravene any provision of applicable PRC law, rule or regulation and any such agreements to which a Foreign Company is a party is valid and legally binding, in full force and effect, and enforceable in accordance with its terms and the Foreign Companies have and will have good and valid title to the after-tax profits generated by or derived from such operations, except for those that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.
14. The relevant PRC Subsidiaries have duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of [March 31], 2007, the relevant PRC Subsidiaries have the right to use approximately [58,000] hectares of plantation land contributed by the PRC partners of the Cooperative Joint Venture Companies or leased from other parties, in which the approximately [18,900] hectares of plantation land are currently used by



Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. Since Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. have been approved to be converted into WFOEs and obtained their new Business Licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreement or lease agreement, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations.

15. The Foreign Companies have duly obtained the approvals from the relevant forestry bureaus for the acquisition of the purchased tree plantations. According to the relevant purchased tree contracts entered into by the Foreign Companies as of [March 31], 2007 and as confirmed by the relevant local forestry bureaus in their respective approvals, the Foreign Companies have the right to own approximately [294,000] hectares of the purchased trees plantations acquired by such Foreign Companies. According to the relevant purchased tree contracts, the Foreign Companies have the right, but not an obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into as of [March 31], 2007, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
16. The Agreement for Long Term Cooperation on Wood Supply entered into between Sino-Forest (Guangzhou) Trading Co., Ltd., Inner Mongolia Forest and Timber Resources Co., Ltd. and Erlianhaote Joint Forestry Bureau on 31 July 2006 is legal, valid and enforceable under the PRC laws and regulations. The implementation of the aforesaid agreement is subject to the execution of specific agreements between the relevant parties.
17. Each of the two Master Agreements for Acquisition of Pine and Fir Forest dated 28 September 2006 and 7 December 2006, respectively (collectively, the "Hunan Master Agreements"), between Sino-Panel (Asia) Inc. and Hongjiang City Forestry Technology Integrated Development Services Company ("Hongjiang City Company") is legal, valid and enforceable under PRC laws and regulations; under the Hunan Master Agreements, (i) Sino-Panel (Asia) Inc. will purchase approximately 100,000 hectares and 300,000 hectares, respectively, of plantation trees in Hongjiang City, Huaihua City, Shaoyang City and its surrounding areas in the Hunan Province, in the PRC over a 14 year period, the specific terms and conditions of such purchase to be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Hongjiang City Company and subject to requisite plantation rights registration procedures in accordance with the

relevant PRC laws and regulations; and (ii) Sino-Panel (Asia) Inc., through the PRC subsidiaries of the Company, also has the rights to acquire the plantation land use rights of the plantation land for up to 50 years after harvesting, subject to execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.

18. The Master Agreement for the Acquisition of Pine and Broadleaved Shaw dated March 23, 2007 (the "Yunan Master Agreement") between Sino-Panel (Asia) Inc. and Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd. ("Gengma Forestry"), a company established in Lincang City, Yunnan Province in the PRC is legal, valid and enforceable under PRC laws and regulations. Under the Yunan Master Agreement, the specific terms and conditions of such purchase will be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Gengma Forestry and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
19. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, any Foreign Parties, Foreign Companies or PRC Subsidiary is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company, any Foreign Parties, any Foreign Companies and the RPC Subsidiaries taken as a whole, or the Company, any Foreign Parties, any Foreign Companies or PRC Subsidiary individually, the validity or enforceability of the Underwriting Agreement or the transactions contemplated therein and as disclosed in the Offering Documents; and, to the best of such counsel's knowledge, information and belief and as confirmed by the Company, no such proceedings are threatened.
20. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except for [the mortgages relating to the land use rights and building ownership of Guangdong Jiayao Wood Products Development Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. and except for those as described in the Offering Documents].
21. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use, for the approved duration of such PRC Subsidiary, all of the properties

and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, free and clear of all claims, liens, security interests or other encumbrances except for the mortgages or guarantees as described in Item 20 of this opinion or are not material, individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole or individually; each of the PRC Subsidiaries, as the case may be, has the right to use all such plantation lands or has obtained the land use rights to conduct their respective business now being conducted, except as disclosed in Item 20 of this opinion, all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment, taken as a whole or individually.

22. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received in all material respects all permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Offering Documents and (iii) is in compliance with the PRC environmental laws and regulations, except for those that would not have a material adverse effect on the PRC Subsidiaries taken as a whole or on any of the PRC Subsidiaries individually.
23. All descriptions in the Offering Documents of PRC laws or regulations and contracts, documents and matters governed by or under PRC law are accurate in all material respects; to the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no franchise, contracts, indentures, mortgages, loans, notes, leases or other instruments required to be described or referred to in the Offering Documents in all material aspects other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects.
24. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, the

issue and sale of the Offered Shares and the execution and delivery by the Company of, and the performance by the Company of its obligations under the Underwriting Agreement and the consummation by the Company of the transactions contemplated therein and in the Offering Documents (i) will not contravene (A) any provision of PRC law or regulations, (B) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (C) any material agreement governed by PRC law by which the Company or any of the Foreign Companies is bound or to which any of the properties or assets of the Foreign Companies is subject, or (D) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased trees plantations of the Foreign Companies in the PRC.

25. All such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Offering Documents and (ii) the Foreign Companies to own the purchased tree plantations and conduct business in the manner as described in the Offering Documents have been obtained or made and are in full force and effect, except for those that are not material, individually or in the aggregate, to the business, operations and financial conditions of the PRC Subsidiaries, the Foreign Parties or the Foreign Companies, taken as a whole or individually.
26. The application of the net proceeds from the offering, as contemplated by the Offering Documents, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of such counsel's knowledge, information and belief after reasonable investigation and due inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law by which the Company or any of the Foreign Companies or PRC Subsidiaries is bound or to which any the properties or assets of the Foreign Companies or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.

27. Except for Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
28. To the best of such counsel's knowledge, information and belief after due investigation and inquiry and as confirmed by the Company, except that (i) the Cooperative Joint Venture Companies are in the process of being converted into wholly foreign owned enterprises, and (ii) SFR (Suzhou) Co., Ltd. is in the process of being merged with and absorbed by Jiafeng Wood (Suzhou) Co., Ltd. and its registration will be cancelled, none of the PRC Subsidiaries nor any other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
29. The statements in the Final International Offering Memorandum under the headings "Risk Factors", "Summary Description of the Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation" and "Forestry Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.
30. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, such counsel is of the opinion that as

long as agreements are reached with relevant PRC partners of the Cooperative Joint Venture Companies, there are no legal impediments for the Cooperative Joint Venture Companies to be converted into wholly foreign owned enterprises.

31. Such counsel has generally reviewed and discussed with the Underwriters' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to such counsel. On the basis of such consideration, review, discussion and confirmation, with ordinary care and due diligence as a PRC legal counsel, but without independent check or verification, except as stated, such counsel has no reason to believe that (other than (i) the report of Pöyry Forest Industry Ltd. incorporated by reference in the Offering Documents and (ii) the financial statements and other financial and statistical data contained in the Offering Documents (which include the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP") contained in the Final International Offering Memorandum, as to which such counsel is not called upon to express any belief), the Offering Documents contained as of its date or contains as of the date of this opinion any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, insofar as they constitute matters of PRC laws, or summaries of PRC legal matters, purport to describe provisions of PRC laws, in all material respects, not misleading.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel.

SCHEDULE "C"  
OPINION OF COMPANY'S U.S. COUNSEL

The opinion of the Company's U.S. Counsel shall relate to the following matters:

1. Assuming (i) the representations of the Underwriters and the Company contained in the Agreement are true and correct and (ii) compliance by the Underwriters and the Company with their respective covenants set forth in the Agreement, it is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters pursuant to the Agreement or the initial offer and resales of the Offered Shares by the Underwriters in the manner contemplated by the Agreement and described in the Final International Offering Memorandum, to register the Offered Shares under the Securities Act of 1933;
2. No consent, approval, waiver, license or authorization or other action by, or filing with, any U.S. federal or New York governmental authority is required in connection with the execution and delivery by the Company of the Agreement, the consummation by the Company of the transactions contemplated by the Agreement or the performance by the Company of its obligations under the Agreement, except for state securities or "blue sky" laws, as to which such counsel need express no opinion;
3. The execution and delivery of the Agreement and the performance by the Company of its obligations under the Agreement will not conflict with, constitute a default or violate (a) any statute, rule or regulation of any United States federal or New York State governmental agency or body, except that such counsel expresses no opinion in relation to any violation of the anti-fraud provisions of United States federal laws or New York State securities laws, (b) the terms, conditions or provisions of any document, agreement or other instrument listed on a schedule to such counsel's opinion or (c) any judgment, writ, injunction, decree, order or ruling of any New York State or U.S. federal court or governmental authority binding on the Company of which such counsel is aware;
4. The statements made in the Final International Offering Memorandum under the caption "U.S. Federal Income Taxation," insofar as they purport to constitute summaries of matters of U.S. federal tax law and regulations or legal conclusions with respect thereto, constitute accurate summaries of the matters described therein in all material respects; and
5. The Company is not, and immediately after giving effect to the transactions contemplated by the Agreement and the Final International Offering Memorandum and the application of the net proceeds of the Offering as

) described in the Final International Offering Memorandum, will not be, required to be registered as an "investment company", under U.S. Investment Company Act of 1940, as amended.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters' Counsel.

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SCHEDULE "D"  
OPINION OF COMPANY'S HONG KONG COUNSEL

The opinion of the Company's Hong Kong Counsel shall be in or substantially in the following form:

*[Note: The contents of this opinion letter are subject to any change to Hong Kong law and the results of the examination of the documents described]*

[•] June 2007<sup>1</sup>

To: Sino-Forest Corporation (the "Company")

Dear Sir

**SINO-FOREST CORPORATION**

- 1 We understand that this opinion letter is to be delivered to the Underwriters (as defined below) pursuant to section [5(e)] of the underwriting agreement between the Company and Dundee Securities Corporation, CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc., UBS Securities Canada Inc. and Haywood Securities Inc. (collectively the "Underwriters") dated [28] May 2007 (the "Underwriting Agreement"). We do not act for or in relation to any of the Underwriters or any of the Group Companies (as set out in Schedule 1 to the Underwriting Agreement) in relation to or in connection with the issue of the Offered Shares (as defined in the Underwriting Agreement) or any of the other acts contemplated by or referred to in the Underwriting Agreement or the Underwriting Agreement itself; and our engagement in relation to the Company is in respect of the issue of this opinion letter only. For the purpose of this opinion letter, the "Hong Kong Subsidiaries" means Sino-Wood Partners, Limited, Sino-Plantation Limited, Sino-Wood (Guangxi) Limited, Sino-Wood (Jiangxi) Limited, Sino-Wood (Guangdong) Limited and Sino-Wood (Fujian) Limited.
  
- 2 This opinion letter is limited to the laws of the Hong Kong Special Administrative Region ("Hong Kong" or the "HKSAR") of the People's Republic of China (the "PRC") in force at the date of this opinion letter and is given on the basis that it will be governed by and construed in accordance with Hong Kong law. We express no opinion on any law other than Hong Kong law. We have not made any investigation or enquiry other than as stated in paragraph 3. Our opinion is limited to the matters specifically and

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<sup>1</sup> To be on or around [14] June 2007.

expressly stated in paragraph 5. All references to the date of this opinion letter shall be construed in accordance with Hong Kong time.

3 We have examined the following:

- (a) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>2</sup> at the Hong Kong Business Registration Office (the "Business Registration Search");
- (b) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>3</sup> at the Hong Kong Companies Registry (the "Company Search");
- (c) the public records disclosed by the search made by us in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>4</sup> at the Official Receiver's office of Hong Kong (the "Official Receiver Search");
- (d) the results disclosed by the search made by Target On-Line Financial Ltd. ("Tolfin") in respect of each of the Hong Kong Subsidiaries on [•] June 2007<sup>5</sup> against the Cause Book of the Registry of the High Court of Hong Kong and the Cause Book of the Registry of the District Courts of Hong Kong (the "Cause Book Enquiry");
- (e) the following documents provided to us by or on behalf of the Company:
  - (i) the register of members of each of the Hong Kong Subsidiaries; and
  - (ii) a declaration of trust made by Tak Yuen Chan dated 17 March 1994 in respect of 1 share in the capital of Sino-Wood Partners, Limited in favour of Sino-Forest Corporation; a declaration of trust made by Chan Tak Yuen dated 26 October 2002 in respect of 1 share in the capital of Sino-Plantation Limited in favour of Sino-Wood Partners, Limited; a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in respect of 1 share in the capital of Sino-Wood (Guangxi) Limited in favour of Sino-

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<sup>2</sup> To be on or around [14] June 2007.

<sup>3</sup> To be on or around [14] June 2007.

<sup>4</sup> To be on or around [14] June 2007.

<sup>5</sup> To be on or around [14] June 2007.

Plantation Limited; a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in respect of 1 share in the capital of Sino-Wood (Jiangxi) Limited in favour of Sino-Plantation Limited; a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in respect of 1 share in the capital of Sino-Wood (Guangdong) Limited in favour of Sino-Plantation Limited; and a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in respect of 1 share in the capital of Sino-Wood (Fujian) Limited in favour of Sino-Plantation Limited; and

- (f) a certificate of a director of Sino-Wood Partners, Limited dated [•] June 2007<sup>6</sup>; a certificate of a director of Sino-Plantation Limited dated [•] June 2007<sup>7</sup>; a certificate of a director of Sino-Wood (Guangxi) Limited dated [•] June 2007<sup>8</sup>; a certificate of a director of Sino-Wood (Jiangxi) Limited dated [•] June 2007<sup>9</sup>; a certificate of a director of Sino-Wood (Guangdong) Limited dated [•] June 2007<sup>10</sup>; and a certificate of a director of Sino-Wood (Fujian) Limited dated [•] June 2007<sup>11</sup> (collectively the "Certificates of Directors").

4 For the purpose of this opinion letter, we have assumed without further inquiry that:

- (a) the information disclosed by the Business Registration Search is true and complete as at [•] June 2007<sup>12</sup> and has not since then been altered and that the Business Registration Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Business Registration Office of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;
- (b) the information disclosed by the Company Search is true and complete as at [•] June 2007<sup>13</sup> and has not since then been altered and that the

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6 This will be the date of this opinion letter.  
 7 This will be the date of this opinion letter.  
 8 This will be the date of this opinion letter.  
 9 This will be the date of this opinion letter.  
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 11 This will be the date of this opinion letter.  
 12 This will be the date of the search.  
 13 This will be the date of the search.

Company Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Hong Kong Companies Registry of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;

- (c) the information disclosed by the Official Receiver Search is true and complete as at [•] June 2007<sup>14</sup> and has not since then been altered and that the Official Receiver Search did not fail to disclose any information which had been delivered for registration but did not appear on the public file at the time of our search; it should be noted that there can be a delay between the delivery to the Official Receiver's office of Hong Kong of information or documents for filing and the appearance of that information or those documents on the public file of the Hong Kong Subsidiaries;
- (d) the information disclosed by the Cause Book Enquiry is true and complete as at [•] June 2007<sup>15</sup> and has not since then been altered and the Cause Book Enquiry did not fail to disclose any proceeding or action or other information which had been issued or published by the High Court or any District Court or any office or department or other part of the Government of the Hong Kong (or which appeared on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong) at the time of the enquiry; it should be noted that there can be a delay between the issue or publication of information and the appearance of that information on the Cause Book of the Registry of the High Court of Hong Kong or the Cause Book of the Registry of the District Courts of Hong Kong;
- (e) all signatures, seals and chops are genuine, and the identity and legal capacity of all signatories and corporate officers are correct;
- (f) all persons signing, sealing, delivering and/or issuing the certificates, documents and corporate records provided to us had due power and authority to do so and had taken all necessary corporate and other action to sign, seal, deliver and/or issue such certificates, documents and corporate records;

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<sup>14</sup> This will be the date of the search.

<sup>15</sup> This will be the date of the search.

- (g) all certificates, documents and corporate records provided to us expressed to be signed, sealed, delivered and/or issued have been duly signed, sealed, delivered and/or issued;
- (h) each declaration of trust described in paragraph [3(e)(ii)] above was when made and is legal, valid, binding and enforceable in accordance with its terms and no such declaration of trust has been revoked or modified;
- (i) Chan Tak Yuen and Tak Yuen Chan refer to the same person;
- (j) all certificates, documents and corporate records provided to us are authentic, accurate and complete, whether as originals or copies; and that, in particular, all certificates, documents and corporate records presented as copies are accurate and complete as at the date of this opinion letter and in conformity with their respective originals;
- (k) there has been no general meeting of and no board meeting of any of the Hong Kong Subsidiaries and no written resolution by the members or the directors of any of the Hong Kong Subsidiaries in which the members or the directors of such Hong Kong Subsidiary/Subsidiaries have passed a resolution or resolutions and the record of which has not been brought specifically to our attention in writing and/or not delivered to the Hong Kong Companies Registry for registration;
- (l) the accuracy, currency and completeness of all statements and information contained in all certificates, documents and corporate records examined by us; and
- (m) there has been no change in the circumstances or prospects of any Group Company which is material to the statements herein which has not been brought specifically to our attention in writing.

5 Based on and subject to and relying on the foregoing and the qualifications and reservations in paragraph 6, we are of the following opinion:

- (a) Each of the Hong Kong Subsidiaries is duly incorporated in Hong Kong under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies Ordinance") and is validly existing as a limited liability company under the laws of Hong Kong.

- (b) Based solely on the memorandum and articles of association of each of the Hong Kong Subsidiaries revealed by the Company Search, the business registration certificate of each of the Hong Kong Subsidiaries revealed by the Business Registration Search and the Certificates of Directors, each of the Hong Kong Subsidiaries has the corporate power and authority to own its real property/properties (if any), to hold shares in other companies and to carry on its business as a holding company.
- (c) The Company Search revealed no order or resolution for the winding-up of any of the Hong Kong Subsidiaries and no notice of appointment of a receiver; however, such search is not capable of revealing a winding-up order or resolution made, or an appointment of a receiver, immediately prior to the conduct of the Company Search.
- (d) The Official Receiver Search revealed that no petition for the winding-up of any of the Hong Kong Subsidiaries had been presented; however, a winding-up petition may be presented but not filed at the Official Receiver's Office immediately upon such presentation.
- (e) The Cause Book Enquiry revealed (i) no proceeding before the Hong Kong High Court against any of the Group Companies and (ii) no action before any Hong Kong District Court against any of the Group Companies; however, such an enquiry is not capable of revealing any proceeding or action commenced immediately prior to the making of the Cause Book Enquiry.
- (f) Based solely on the memorandum and articles of association of each of the Hong Kong Subsidiaries revealed by the Company Search and the Certificates of Directors, the issue of shares in the capital of each of the Hong Kong Subsidiaries has been duly authorised.
- (g) Based solely on the register of members of Sino-Wood Partners, Limited as at [•] June 2007<sup>16</sup>, 2,999,999 Ordinary Shares and 129,927 Class B Shares in the capital of Sino-Wood Partners, Limited are held by Sino-Forest Corporation and 1 Ordinary Share in the capital of Sino-Wood Partners, Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 17 March 1994 in favour of Sino-Forest Corporation, the 1 share in the capital of Sino-Wood Partners, Limited held by Chan Tak Yuen is held by Chan Tak

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<sup>16</sup>

This will be the date the register is examined.

Yuen as nominee for Sino-Forest Corporation. Based solely on a special resolution of Sino-Wood Partners, Limited passed on 10 March 2003 revealed by the Company Search, such share has been designated and registered as an Ordinary Share.

- (h) Based solely on the register of members of Sino-Plantation Limited as at [•] June 2007<sup>17</sup>, 4,999 shares in the capital of Sino-Plantation Limited are held by Sino-Wood Partners Limited and 1 share in the capital of Sino-Plantation Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 26 October 2002 in favour of Sino-Wood Partners, Limited, the 1 share in the capital of Sino-Plantation Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Wood Partners, Limited.
- (i) Based solely on the register of members of Sino-Wood (Guangxi) Limited as at [•] June 2007<sup>18</sup>, 1 share in the capital of Sino-Wood (Guangxi) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Guangxi) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Guangxi) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.
- (j) Based solely on the register of members of Sino-Wood (Jiangxi) Limited as at [•] June 2007<sup>19</sup>, 1 share in the capital of Sino-Wood (Jiangxi) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Jiangxi) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 13 December 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Jiangxi) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.
- (k) Based solely on the register of members of Sino-Wood (Guangdong) Limited as at [•] June 2007<sup>20</sup>, 1 share in the capital of Sino-Wood (Guangdong) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Guangdong) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in favour of Sino-Plantation Limited, the 1 share in the

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<sup>17</sup> This will be the date the register is examined.

<sup>18</sup> This will be the date the register is examined.

<sup>19</sup> This will be the date the register is examined.

<sup>20</sup> This will be the date the register is examined.

capital of Sino-Wood (Guangdong) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.

- (l) Based solely on the register of members of Sino-Wood (Fujian) Limited as at [•] June 2007<sup>21</sup>, 1 share in the capital of Sino-Wood (Fujian) Limited is held by Sino-Plantation Ltd and 1 share in the capital of Sino-Wood (Fujian) Limited is held by Chan Tak Yuen. Based solely on a declaration of trust made by Chan Tak Yuen dated 4 October 2002 in favour of Sino-Plantation Limited, the 1 share in the capital of Sino-Wood (Fujian) Limited held by Chan Tak Yuen is held by Chan Tak Yuen as trustee for the benefit of Sino-Plantation Limited.

- 6 On 1 July 1997, Hong Kong became the Hong Kong Special Administrative Region of the PRC. On 4 April 1990, the National People's Congress (the "NPC") of the PRC adopted the Basic Law of the HKSAR (the "Basic Law"). Under Article 8 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 (that is, the common law, rules of equity, ordinances, subordinate legislation and customary law) shall be maintained, except for any that contravene the Basic Law and subject to any amendment by the legislature of the HKSAR. Under Article 160 of the Basic Law, the laws of Hong Kong in force at 30 June 1997 shall be adopted as laws of the HKSAR unless they are declared by the Standing Committee of the NPC (the "Standing Committee") to be in contravention of the Basic Law and, if any laws are later discovered to be in contravention of the Basic Law, they shall be amended or cease to have force in accordance with the procedure prescribed by the Basic Law.

On 23 February 1997, the Standing Committee adopted a decision (the "Decision") on the treatment of laws previously in force in Hong Kong. Under paragraph 1 of the Decision, the Standing Committee decided (as translated by us) that "the laws previously in force in Hong Kong, which include the common law, rules of equity, ordinances, subsidiary legislation and customary law, except for those which contravene the Basic Law, are to be adopted as the laws of the HKSAR". Under paragraph 2 of the Decision, the Standing Committee decided that the ordinances and subsidiary legislation set out in Annex 1 to the Decision "which are in contravention of the Basic Law" are not to be adopted as the laws of the HKSAR. One of the ordinances set out in that Annex is the Application of English Law Ordinance (Cap. 88) (the "English Law Ordinance"). The English Law Ordinance applied the common law and rules of equity of England to Hong Kong. We

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<sup>21</sup>

This will be the date the register is examined.



have assumed in giving this opinion letter that the effect of paragraph 2 of the Decision, insofar as it relates to the English Law Ordinance, is to repeal the English Law Ordinance prospectively and that the common law and rules of equity of England which applied in Hong Kong on 30 June 1997 continue to apply, subject to their subsequent independent development which will rest primarily with the courts of the HKSAR which are empowered by the Basic Law to refer to precedents of other common law jurisdictions when adjudicating cases.

- 7 This letter is addressed to the Company solely for its benefit for the purpose of section [5(e)] of the Underwriting Agreement. It may not be transmitted to anyone else (other than the Underwriters) and cannot be relied upon by anyone or for any other purpose or quoted or referred to in any other document or filed with anyone and neither its contents nor its existence may be disclosed without our prior written consent.

Yours faithfully

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of any Group Company, matters disclosed as the result of public searches, corporate and other documents provided by any Group Company, any Group Company's registrar and transfer agent and any Group Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as such counsel deems appropriate.

## Schedule 1 - Group Companies

1. the Company;
2. the following subsidiaries of the Company incorporated in Hong Kong (the "Hong Kong Subsidiaries"):
  - (i) Sino-Wood Partners, Limited
  - (ii) Sino-Plantation Limited
  - (iii) Sino-Wood (Guangxi) Limited;
  - (iv) Sino-Wood (Jiangxi) Limited;
  - (v) Sino-Wood (Guangdong) Limited; and
  - (vi) Sino-Wood (Fujian) Limited.
3. the following subsidiaries of the Company incorporated in British Virgin Islands (the "BVI Subsidiaries"):
  - (i) Sino-Forest Resources Inc.;
  - (ii) Suri-Wood Inc.;
  - (iii) Sino-Global Holdings Inc.;
  - (iv) Grandeur Winway Ltd.;
  - (v) Sinowin Investments Ltd.;
  - (vi) Dynamic Profit Holdings Limited;
  - (vii) Sino-Forest Investments Limited;
  - (viii) Sino-Panel (Gaoyao) Ltd.;
  - (ix) Sino-Panel (Xiangxi) Limited;
  - (x) Sino-Panel (North East China) Limited;
  - (xi) Sino-Panel Holdings Limited;
  - (xii) Sino-Panel (Asia) Inc.;
  - (xiii) Sino-Panel (Gaoyao) Ltd.;
  - (xiv) SFR (China) Inc.;

- (xv) Sino-Panel (Suzhou) Limited; and
  - (xvi) Sino-Panel (Hunan) Limited.
4. the following subsidiaries of the Company incorporated in People's Republic of China (the "PRC Subsidiaries"):
- (i) 广西桂嘉林业有限公司 (Guangxi Guijia Forestry Co., Ltd.);
  - (ii) 江西嘉昌林业发展有限公司 (Jiangxi Jiachang Forestry Development Co., Ltd.);
  - (iii) 河源嘉河林业发展有限公司 (Heyuan Jiahe Forestry Development Co., Ltd.);
  - (iv) 高要嘉耀林业发展有限公司 (Gaoyao Jiayao Forestry Development Co., Ltd.);
  - (v) 漳州嘉闽林业发展有限公司 (Zhangzhou Jiamin Forestry Development Co., Ltd.);
  - (vi) Sino-Forest (China) Investments Limited;
  - (vii) Sino-Forest (Heyuan) Co., Ltd.;
  - (viii) Sino-Forest (Guangzhou) Co., Ltd.;
  - (ix) Sino-Forest (Guangzhou) Trading Co., Ltd.;
  - (x) Sino-Forest (Suzhou) Trading Co., Ltd.;
  - (xi) Sino-Forest (Anhui) Co., Ltd.;
  - (xii) 广东嘉耀木业发展有限公司 (Guangdong Jiayao Wood Products Development Co., Ltd.);
  - (xiii) 嘉成木业(苏州)有限公司 (SFR (Suzhou) Co., Ltd.);
  - (xiv) 嘉丰木业(苏州)有限公司 (Jiafeng Wood (Suzhou) Co., Ltd.);
  - (xv) Sino-Maple (Shanghai) Co., Ltd.;
  - (xvi) Sino-Maple (Shanghai) Trading Co., Ltd.;

- (xvii) Sinowin Plantings (Suzhou) Co. Ltd.;
- (xviii) Hunan Jiayu Wood Products Co., Ltd.;
- (xix) Xiangxi Autonomous State Jiayi Forest Development Co., Ltd.;
- (xx) Heilongjiang Jiamu Panel Co., Ltd.;
- (xxi) Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.;
- (xxii) Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd.; and
- (xxiii) Shaoyang Autonomous State Jiading Forest Development Co., Ltd.

SCHEDULE "E"  
OPINION OF UNDERWRITERS' CANADIAN COUNSEL

The opinion of the Underwriters' Canadian Counsel shall relate to the following matters:

1. The Underwriting Agreement has been duly authorized, executed and delivered by the Company, and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms under the laws of the Province of Ontario and the federal laws of Canada applicable therein.
2. All documents required to be filed by the Company, all proceedings required to be taken by the Company, and all approvals, permits, consents and authorizations of the Securities Regulators required to be obtained by the Company under Canadian Securities Laws, have been filed, taken or obtained in the Qualifying Jurisdictions in order to qualify the Shares for distribution (or distribution to the public, as the case may be), in each of the Qualifying Jurisdictions through registrants registered under Canadian Securities Laws who have complied with the relevant provisions of such laws.
3. The form of definitive share certificate representing Common Shares has been duly approved and adopted by the Company, complies with the requirements of the *Canada Business Corporations Act*, and complies with the requirements of the articles of continuance of the Company and by-laws (and all amendments thereto).
4. The share certificate representing the Purchased Shares delivered to you, or as directed by you, on the date hereof, has been duly executed and delivered by or on behalf of the Company.
5. The Shares have been conditionally approved for listing by the Toronto Stock Exchange, subject to the Company fulfilling all of the conditions set by the Toronto Stock Exchange in the TSX Letter.
6. Provided the Shares are listed on the Toronto Stock Exchange, the Shares are, at the date hereof, qualified investments under the *Income Tax Act* (Canada) and the regulations there under for trusts governed by registered retirement savings plans, registered retirement income funds, and deferred profit sharing plans (collectively, the "Plans") and registered education savings plans, subject to the specific provisions of any particular plan. In the opinion of such counsel, based in part on reliance on a certificate of an officer of the Company, the Shares will not constitute foreign property, as at the date

hereof, for the Plans and other persons subject to tax under Part XI of the *Income Tax Act* (Canada) and the regulations there under.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters. In giving their opinions, such counsel shall also be entitled to rely exclusively upon the opinion of (i) Aird & Berlis LLP with respect to paragraphs 1, 3 and 4 above, and (ii) local counsel as to the matters mentioned above relating to jurisdictions other than the Provinces of British Columbia, Alberta and Ontario.

SCHEDULE "F"  
OPINION OF UNDERWRITERS' PRC COUNSEL

The opinion of the Underwriters' PRC Counsel shall relate to the following matters:

1. Each of Jiangxi Jiachang Forestry Development Co., Ltd. and Heyuan Jiahe Forestry Development Co., Ltd. (each a "Cooperative Joint Venture Company"; collectively, the "Cooperative Joint Venture Companies") has been duly incorporated under the laws of the PRC as a cooperative joint venture enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights) and to conduct its business as described in the Offering Documents and its constitutive documents, including but not limited to, the business license (the "Joint Venture Documents"), and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification.
  
2. Each of Guangxi Guijia Forestry Co., Ltd., Gaoyao Jiayao Forestry Development Co., Ltd., Zhangzhou Jiamin Forestry Development Co., Ltd., SFR (Suzhou) Co., Ltd., Jiafeng Wood (Suzhou) Co., Ltd., Guangdong Jiayao Wood Products Development Co., Ltd., Sinowin Plantings (Suzhou) Co., Ltd., Sino-Maple (Shanghai) Trading Co., Ltd., Sino-Forest (China) Investments Co., Ltd., Sino-Forest (Heyuan) Co., Ltd., Sino-Forest (Guangzhou) Co., Ltd., Sino-Forest (Guangzhou) Trading Co., Ltd., Sino-Forest (Anhui) Co., Ltd., Sino-Forest (Suzhou) Trading Co., Ltd., Heilongjiang Jiamu Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd., Xiangxi Autonomous State Jiayi Forest Development Co., Ltd., Sino-Maple (Shanghai) Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. (each a "WFOE"; collectively, the "WFOEs"; and together with the Cooperative Joint Venture Companies, the "PRC Subsidiaries") has been duly incorporated under the laws of the PRC as a wholly foreign owned enterprise with the status of a Chinese legal person, is validly existing under the laws of the PRC, has the corporate power and authority to own its property (including plantation land use rights as disclosed in Item 14 of this opinion) and to conduct business as described in the Offering Documents and its business license, and is in good standing and duly qualified to transact business in each jurisdiction in which the conduct of its business, or its ownership or leasing of property requires such qualification. As confirmed by the Company, Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest

Development Co., Ltd. are newly established and have not commenced their business operation.

3. To the best of our knowledge, each of Sino-Forest Resources Inc. and Suri-Wood Inc. (each a "Foreign Company"; collectively, the "Foreign Companies") has the right to conduct business in the PRC in the manner as presently conducted and as described in the Offering Documents, and has the right to own the purchased tree plantations (as set forth in the Offering Documents) and as approved by the relevant forestry bureaus, has the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.
4. Each of Sino-Wood (Jiangxi) Limited (HK) and Sino-Wood (Guangdong) Limited (HK) (each a "Foreign Party"; collectively, the "Foreign Parties") is the sole contributor of the respective registered capital of each of the Cooperative Joint Venture Companies respectively and is entitled to share the 70% of the volume of the timber logged from the forestry plantations (70% of the proceeds generated from the timber production of the forestry plantations) of each of the Cooperative Joint Venture Companies as set forth in the Offering Documents, in each case free and clear of all liens, encumbrances, equities, claims, restriction on transfer (other than as required under applicable PRC law or pursuant to the provisions of the Joint Venture Documents of any such Cooperative Joint Venture Company) or other defect of title whatsoever; the contribution of such registered capital and the sharing of the logged timber are valid and lawful under all applicable PRC laws, rules, regulations or guidelines of any local or other court or public, governmental or regulatory agency or body.
5. Each of Sino-Wood (Guangxi) Limited (HK), Sino-Wood (Guangdong) Limited (HK), Sino-Wood (Fujian) Limited (HK), SFR (China) Inc. (BVI), Sino-Panel (Gaoyao) Ltd. (BVI), Sinowin Investments Limited (BVI), Grandeur Winway Limited (BVI), Sino-Forest Investments Limited (BVI), Sino-Forest (China) Investments Co., Ltd. (China), Sino-Panel (North East China) Limited (BVI), Sino-Panel (Asia) Inc. (BVI), Sino-Panel (Xiangxi) Limited (BVI), Sino-Panel (Suzhou) Limited and Sino-Panel (Hunan) Limited is the owner of the 100% registered capital of each of the WFOEs respectively, free and clear of all liens, encumbrances, equities, claims, restrictions on transfer (other than as required under applicable PRC law) or other defect of title whatsoever; the ownership of such registered capital is valid and lawful under all applicable PRC laws, rules or regulation of any governmental or regulatory agency or body.
6. The contracted registered capital of each of the Cooperative Joint Venture Companies has been subscribed in full by the Foreign Parties of each such



Cooperative Joint Venture Company and all government approvals relating to the subscription thereof have been issued and are in full force and effect. Except for [Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., whose registered capital shall be fully subscribed by [\*] 2007, [\*] 2007 and [\*] 2007 respectively in accordance with their respective approvals], the registered capital of each of the WFOEs has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect.

7. The performance of each Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, of its obligations under the Joint Venture Documents to which it is a party does not contravene, in any material respect, (i) any provision of any PRC law or regulation or (ii) any approval, judgment, order, decree or regulation of any governmental body or agency or any court in the PRC having jurisdiction over such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be, or any of the properties of assets of such Cooperative Joint Venture Companies or the Foreign Parties, as the case may be.
8. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, none of the PRC Subsidiaries is in violation of or in default under (i) any provision of PRC law or regulation or the articles of association of the respective PRC Subsidiary, (ii) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over any of the PRC Subsidiaries or over any of the properties or assets of the PRC Subsidiaries, except for such violations or defaults that would not have a material adverse effect on the PRC Subsidiaries as a whole or on any of the PRC Subsidiaries individually.
9. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, none of the Foreign Companies is, under the current business model as presently conducted and as described in the Offering Documents, in violation of or in default under (i) any provision of PRC law or regulation, (ii) any agreement governed by PRC law by which it is bound or to which any of its properties or assets is subject or (iii) any approval, judgment, order, decree or regulation of any governmental body or agency or of any court in the PRC having jurisdiction over it or over any of its properties or assets, , except for

such defaults that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.

10. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, each of the PRC Subsidiaries has duly filed all required tax returns and has paid all material PRC taxes which it is required to have paid, except for taxes payment of which is being contested in good faith by appropriate proceedings and for which reserves and tax provisions deemed by it to be adequate have been set aside or made on its books. For the Foreign Companies conducting authorized trading operations, the PRC taxes which they are required to pay shall be withheld and paid by their respective authorized intermediaries as the withholding and paying agents in accordance with the relevant agreements, and as confirmed by the Company, adequate tax provisions have been made to meet such tax liabilities of the Foreign Companies as disclosed in the Offering Documents.
11. The articles of association of each PRC Subsidiary have been approved by its respective approving authority, are in full force and effect and comply with the requirements of applicable law of the PRC in all material respects.
12. Each of the Joint Venture Documents applicable to each Cooperative Joint Venture Company or Foreign Party constitutes a valid and binding agreement of each of the parties thereto, is in full force and effect and is enforceable in accordance with its terms.
13. The carrying on of the authorized trading operations by Foreign Companies pursuant to the relevant agreements to which it is a party does not contravene any provision of applicable PRC law, rule or regulation and any such agreements to which a Foreign Company is a party is valid and legally binding, in full force and effect, and enforceable in accordance with its terms and the Foreign Companies have and will have good and valid title to the after-tax profits generated by or derived from such operations, except for those that would not have a material adverse effect on the Foreign Companies taken as a whole or on any of the Foreign Companies individually.
14. The relevant PRC Subsidiaries have duly obtained the relevant Plantation Rights Certificates for their legal titles to the plantation land use rights and the planted tree plantations. According to the relevant Plantation Rights Certificates and relevant approvals provided by the Company, as of [March 31], 2007, the relevant PRC Subsidiaries have the right to use approximately [58,000] hectares of plantation land contributed by the PRC partners of the

Cooperative Joint Venture Companies or leased from other parties, in which the approximately [18,900] hectares of plantation land are currently used by Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. Since Guangxi Guijia Forestry Co., Ltd. and Gaoyao Jiayao Forestry Development Co., Ltd. have been approved to be converted into WFOEs and obtained their new Business Licenses, they will need to negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreement or lease agreement, go through the requisite legal formalities for the transfer of plantation land and obtain the Plantation Rights Certificates for those plantation lands in accordance with the relevant PRC laws and regulations.

15. The Foreign Companies have duly obtained the approvals from the relevant forestry bureaus for the acquisition of the purchased tree plantations. According to the relevant purchased tree contracts entered into by the Foreign Companies as of [March 31], 2007 and as confirmed by the relevant local forestry bureaus in their respective approvals, the Foreign Companies have the right to own approximately [294,000] hectares of the purchased trees plantations acquired by such Foreign Companies. According to the relevant purchased tree contracts, the Foreign Companies have the right, but not an obligation, to acquire plantation land use rights for the lands underlying the purchased trees acquired pursuant to the purchased tree contracts entered into as of [March 31], 2007, subject to the execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
16. The Agreement for Long Term Cooperation on Wood Supply entered into between Sino-Forest (Guangzhou) Trading Co., Ltd., Inner Mongolia Forest and Timber Resources Co., Ltd. and Erlianhaote Joint Forestry Bureau on 31 July 2006 is legal, valid and enforceable under the PRC laws and regulations. The implementation of the aforesaid agreement is subject to the execution of specific agreements between the relevant parties.
17. Each of the two Master Agreements for Acquisition of Pine and Fir Forest dated 28 September 2006 and 7 December 2006, respectively (collectively, the "Hunan Master Agreements"), between Sino-Panel (Asia) Inc. and Hongjiang City Forestry Technology Integrated Development Services Company ("Hongjiang City Company") is legal, valid and enforceable under PRC laws and regulations; under the Hunan Master Agreements, (i) Sino-Panel (Asia) Inc. will purchase approximately 100,000 hectares and 300,000 hectares, respectively, of plantation trees in Hongjiang City, Huaihua City, Shaoyang City and its surrounding areas in the Hunan Province, in the PRC over a 14 year period, the specific terms and conditions of such purchase to be determined upon the execution of definitive agreements between the PRC

subsidiaries of the Company and Hongjiang City Company and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations; and (ii) Sino-Panel (Asia) Inc., through the PRC subsidiaries of the Company, also has the rights to acquire the plantation land use rights of the plantation land for up to 50 years after harvesting, subject to execution of definitive agreements and requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.

18. The Master Agreement for the Acquisition of Pine and Broadleaved Shaw dated March 23, 2007 (the "Yunan Master Agreement") between Sino-Panel (Asia) Inc. and Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd. ("Gengma Forestry"), a company established in Lincang City, Yunnan Province in the PRC is legal, valid and enforceable under PRC laws and regulations. Under the Yunan Master Agreement, the specific terms and conditions of such purchase will be determined upon the execution of definitive agreements between the PRC subsidiaries of the Company and Gengma Forestry and subject to requisite plantation rights registration procedures in accordance with the relevant PRC laws and regulations.
19. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no legal or governmental proceedings pending in the PRC to which, the Company, any Foreign Parties, Foreign Companies or PRC Subsidiary is a party or to which any of their respective properties or assets is subject; there are no legal or governmental proceedings pending in the PRC which could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company, any Foreign Parties, any Foreign Companies and the RPC Subsidiaries taken as a whole, or the Company, any Foreign Parties, any Foreign Companies or PRC Subsidiary individually, the validity or enforceability of the Underwriting Agreement or the transactions contemplated therein and as disclosed in the Offering Documents; and, to the best of such counsel's knowledge, information and belief and as confirmed by the Company, no such proceedings are threatened.
20. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no outstanding guarantees or contingent payment obligations of each of the PRC Subsidiaries in respect of indebtedness of third parties except for [the mortgages relating to the land use rights and building ownership of Guangdong Jiayao Wood Products Development Co., Ltd. and Jiafeng Wood (Suzhou) Co., Ltd. and except for those as described in the Offering Documents].

21. Each of the PRC Subsidiaries owns or has been granted all necessary rights to use, for the approved duration of such PRC Subsidiary, all of the properties and assets owned or used by it or transferred, assigned or otherwise conveyed to it in connection with its formation or thereafter, free and clear of all claims, liens, security interests or other encumbrances except for the mortgages or guarantees as described in Item 20 of this opinion or are not material, individually or in the aggregate, to the business of the Company and the PRC Subsidiaries, taken as a whole or individually; each of the PRC Subsidiaries, as the case may be, has the right to use all such plantation lands or has obtained the land use rights to conduct their respective business now being conducted, except as disclosed in Item 20 of this opinion, all such plantation land-use rights or land use rights are free and clear of all encumbrances and defects, and all such plantation land-use rights or land use rights are valid, binding and enforceable in accordance with their respective terms; and all real property and buildings held under lease, if any, by each of the PRC Subsidiaries are held by each of them under valid, binding and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such real property, buildings and equipment, taken as a whole or individually.
22. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry and as confirmed by the Company, each of the PRC Subsidiaries (i) is in compliance in all material respects with all applicable laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) has received in all material respects all permits, licenses and approvals which are currently required under applicable Environmental Laws to conduct its business now being conducted, including to construct, own and operate its respective plant facilities, as described in the Offering Documents and (iii) is in compliance with the PRC environmental laws and regulations, except for those that would not have a material adverse effect on the PRC Subsidiaries taken as a whole or on any of the PRC Subsidiaries individually.
23. All descriptions in the Offering Documents of PRC laws or regulations and contracts, documents and matters governed by or under PRC law are accurate in all material respects; to the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, there are no franchise, contracts, indentures, mortgages, loans, notes, leases or other instruments required to be described or referred to in the Offering Documents in all material aspects other than those described or referred to therein, and the descriptions thereof or references thereto are correct in all material respects.

24. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, and as confirmed by the Company, the issue and sale of the Offered Shares and the execution and delivery by the Company of, and the performance by the Company of its obligations under the Underwriting Agreement and the consummation by the Company of the transactions contemplated therein and in the Offering Documents (i) will not contravene (A) any provision of PRC law or regulations, (B) any agreement governed by PRC law by which any of the PRC Subsidiaries is bound or to which any of the properties or assets of the PRC Subsidiaries is subject, (C) any material agreement governed by PRC law by which the Company or any of the Foreign Companies is bound or to which any of the properties or assets of the Foreign Companies is subject, or (D) any regulation, judgment, order or decree of any governmental body, agency or any court in the PRC or (ii) will not result in the creation or imposition of any claim, lien, mortgage, security interest or other encumbrance on any property or assets of the PRC Subsidiaries or on any purchased trees plantations of the Foreign Companies in the PRC.
25. All such licenses, consents, approvals, authorizations, permits, certificates or orders of or from, or filings, declarations or qualifications with or to, any governmental body, court, agency or official in the PRC as are currently required for (i) the PRC Subsidiaries' ownership and use of their properties and assets, the construction of their plant facilities and the conduct of their business in the manner as described in the Offering Documents and (ii) the Foreign Companies to own the purchased tree plantations and conduct business in the manner as described in the Offering Documents have been obtained or made and are in full force and effect, except for those that are not material, individually or in the aggregate, to the business, operations and financial conditions of the PRC Subsidiaries, the Foreign Parties or the Foreign Companies, taken as a whole or individually.
26. The application of the net proceeds from the offering, as contemplated by the Offering Documents, will not (i) contravene any provision of applicable PRC law, rule or regulation or the articles of association and any amendment thereof or the business license of any of PRC Subsidiaries or (ii) to the best of such counsel's knowledge, information and belief after reasonable investigation and due inquiry, contravene the terms or provisions of, or constitute a default under, (A) any indenture, mortgage, loan agreement, lease or other agreement binding upon any PRC Subsidiaries, (B) any indenture, mortgage, loan agreement, lease or other agreement governed by PRC law by which the Company or any of the Foreign Companies or PRC Subsidiaries is bound or to which any of the properties or assets of the Foreign

Companies or PRC Subsidiaries is subject or (C) any judgment, order or decree of any governmental body, agency or court in the PRC.

27. Except for Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd., subject to compliance with the requisite procedures under the PRC laws and regulations, each PRC Subsidiary has full power and authority to effect dividend payments and remittances thereof outside the PRC in foreign currency free of deduction or withholding on account of income taxes and without the need to obtain any consent, approval, authorization, order, registration or qualification of or with any court or governmental or regulatory agency or body of or in the PRC. Since the registered capital of Guangdong Jiayao Wood Products Development Co., Ltd., Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd., Hunan Jiayu Wood Products (Hongjiang City) Co., Ltd. and Shaoyang Autonomous State Jiading Forest Development Co., Ltd. have not been fully paid up by their investors, the dividend payments and remittances thereof shall be made in proportion to the paid-up contributions of their respective registered capital.
28. To the best of such counsel's knowledge, information and belief after due investigation and inquiry and as confirmed by the Company, except that (i) the Cooperative Joint Venture Companies are in the process of being converted into wholly foreign owned enterprises, and (ii) SFR (Suzhou) Co., Ltd. is in the process of being merged with and absorbed by Jiafeng Wood (Suzhou) Co., Ltd. and its registration will be cancelled, none of the PRC Subsidiaries nor any other person has taken any action nor have any other steps been taken or legal proceedings been started or threatened against any of the PRC Subsidiaries for its winding up or dissolution, or for the withdrawal, revocation or cancellation of the business license of any of the PRC Subsidiaries; and no notice of appointment of a receiver of any of the PRC Subsidiaries or any of its assets has been issued and no declaration or order of insolvency has been or is threatened to be made.
29. The statements in the Final International Offering Memorandum under the headings "Risk Factors", "Summary Description of the Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Government Regulation" and "Forestry Plantation Contractual Arrangements" insofar as such statements constitute summaries of the laws or regulations of the PRC or documents governed by PRC law as of the date hereof, fairly present the information called for with respect to such legal matters and documents and fairly summarize matters referred to therein.

30. To the best of such counsel's knowledge, information and belief after reasonable investigation and inquiry, such counsel is of the opinion that as long as agreements are reached with relevant PRC partners of the Cooperative Joint Venture Companies, there are no legal impediments for the Cooperative Joint Venture Companies to be converted into wholly foreign owned enterprises.
31. Such counsel has generally reviewed and discussed with the Underwriters' representatives and with certain officers and employees of, and counsel and independent accountants for, the Company the information furnished, and the Company has confirmed such information to such counsel. On the basis of such consideration, review, discussion and confirmation, with ordinary care and due diligence as a PRC legal counsel, but without independent check or verification, except as stated, such counsel has no reason to believe that (other than (i) the report of Pöyry Forest Industry Ltd. incorporated by reference in the Offering Documents and (ii) the financial statements and other financial and statistical data contained in the Offering Documents (which include the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP") contained in the Final International Memorandum, as to which such counsel is not called upon to express any belief), the Offering Documents contained as of its date or contains as of the date of this opinion any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, insofar as they constitute matters of PRC laws, or summaries of PRC legal matters, purport to describe provisions of PRC laws, in all material respects, not misleading.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters.



SCHEDULE "G"  
OPINION OF UNDERWRITERS' U.S. COUNSEL

The opinion of the Underwriters' U.S. Counsel shall relate to the following matters:

1. It is not necessary in connection with the offer, sale and delivery of the Offered Shares to the Underwriters under the Underwriting Agreement, or the initial resale of such Offered Shares by the Underwriters in accordance with the Underwriting Agreement to register the Offered Shares under the Securities Act, it being understood that no opinion is expressed as to any subsequent resale of any Offered Shares. Such counsel's opinion assumes that the Offering is made as contemplated in the Final International Offering Memorandum and the accuracy of and compliance with the representations, warranties and covenants of the Company and the Underwriters in the Underwriting Agreement relating to the offering of the Offered Shares.
2. No consent, approval, authorization or order of, or qualification with, any governmental body or agency under United States federal or New York state law that in such counsel's experience is normally applicable to general business corporations in relation to transactions of the type contemplated by the Underwriting Agreement is required for the performance by the Company of its obligations under the Underwriting Agreement, except such as may be required under state securities or Blue Sky laws.

In giving their opinions, such counsel shall be entitled to rely, as to matters of fact, upon certificates of officers of the Company, the Company's registrar and transfer agent and the Company's Auditors, and on certificates of public and stock exchange officials, as necessary and as applicable, and to make such assumptions and qualifications as are acceptable to the Underwriters.