

***COURT OF APPEAL FOR ONTARIO***

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

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

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**MOTION RECORD OF THE UNDERWRITERS**

(responding to the motion for leave to appeal  
from the Sanction Order)

VOLUME III OF IV

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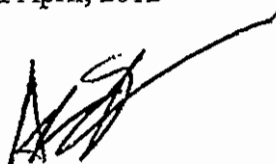
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**TAB F**

**TAB F**

This is Exhibit "F" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'AS', with a long horizontal stroke extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.

## UNDERWRITING AGREEMENT

December 10, 2009

Credit Suisse Securities (Canada) Inc.  
1 First Canadian Place  
Suite 3000, P.O. Box 301  
Toronto, Ontario M5X 1C9  
Canada

TD Securities Inc.  
1 Place Ville Marie Suite 2315  
Montreal, Quebec H3B 3M5  
Canada

Dundee Securities Corporation  
2700, 1 Adelaide Street East  
Toronto, ON M5C 2V9  
Canada

RBC Dominion Securities  
P.O. Box 7500, Station "A"  
77 King Street West  
Toronto, ON M5W 1P9  
Canada

Scotia Capital Inc.  
18th Floor, Scotia Tower  
650 West Georgia Street  
Vancouver, BC V6B 4N9  
Canada

CIBC World Markets  
161 Bay St, Brookfield Place  
P.O. Box 500  
Toronto, ON M5J 2S8  
Canada

Merrill Lynch Canada Inc.  
Brookfield Place, Wellington Tower  
181 Bay Street, Suite 400  
Toronto, ON M5J 2V8  
Canada

Canaccord Financial Ltd.  
161 Bay Street, Suite 2900  
P.O. Box 516  
Toronto, ON M5J 2S1  
Canada

Maison Placements Canada Inc.  
Suite 906, 130 Adelaide Street West  
Toronto, ON M5H 3P5  
Canada

(together, the "Underwriters")

Dear Sirs and Mesdames:

SINO-FOREST CORPORATION, a *Canada Business Corporations Act* corporation (the "Company"), proposes to issue and sell to Credit Suisse Securities (Canada) Inc. ("Credit Suisse"), TD Securities Inc., (together, the "Co-Lead Underwriters"), Dundee Securities Corporation, RBC Dominion Securities Inc., Scotia Capital Inc., CIBC World Markets Inc., Merrill Lynch Canada Inc., Canaccord Financial Ltd., and Maison Placements Canada Inc. (collectively, the "Underwriters") 19,000,000 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 2,850,000 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



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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 for distribution to the public in each of the provinces of Canada (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) "Agreement" means this underwriting agreement between the Company and the Underwriters dated December 10, 2009, and all schedules attached hereto and any and all amendments made hereto and thereto.
- (e) "Agreements and Instruments" has the meaning specified in Section 2(ss).
- (f) "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.
- (g) "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.
- (h) "Claim" has the meaning specified in Section 9(a).
- (i) "Closing Date" has the meaning specified in Section 4.
- (j) "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.
- (k) "Co-Lead Underwriters" has the meaning set forth in the Recitals.

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- (l) "Common Shares" means the common shares in the capital of the Company.
- (m) "Company" has the meaning set forth in the Recitals.
- (n) "Company Public Documents" has the meaning specified in Section 2(hh).
- (o) "Company's Auditors" means Ernst & Young LLP.
- (p) "Company's BVI and Cayman Counsel" means the law firm of Appleby in the British Virgin Islands.
- (q) "Company's Canadian Counsel" means the law firm of Aird & Berlis LLP.
- (r) "Company's Counsel" means, collectively, Company's Canadian Counsel, Company's PRC Counsel, Company's Hong Kong Counsel, Company's BVI and Cayman Counsel and Company's U.S. Counsel.
- (s) "Company's Hong Kong Counsel" means the law firm of Linklaters.
- (t) "Company's PRC Counsel" means the law firm of Jingtian & Gongcheng.
- (u) "Company's U.S. Counsel" means the law firm of Linklaters.
- (v) "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.
- (w) "critical accounting policies" has the meaning specified in Section 2(mm).
- (x) "Defaulted Securities" has the meaning specified in Section 10(b).
- (y) "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.
- (z) "distribution" and "distribution to the public" shall have the respective meanings ascribed thereto in the Canadian Securities Laws.
- (aa) "Enterprise Income Tax Law" means the PRC Enterprise Income Tax Law enacted on March 16, 2007 and effective on January 1, 2008 and its

Implementation Rules issued on December 6, 2007 and effective on January 1, 2008.

- (bb) "Environmental Laws" has the meaning specified in Section 2(dd).
- (cc) "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 in the English language and certain additional pages, as amended or supplemented.
- (dd) "Financial Information" has the meaning specified in Section 6(j)(vi).
- (ee) "Firm Shares" has the meaning specified in the Recitals.
- (ff) "GAAP" has the meaning specified in Section 2(ii).
- (gg) "Governmental Authorizations" has the meaning specified in Section 2(d).
- (hh) "Hazardous Substance" has the meaning specified in Section 2(ee).
- (ii) "including" means including, without limitation.
- (jj) "Indemnified Party" has the meaning specified in Section 9(a).
- (kk) "Intellectual Property Rights" has the meaning specified in Section 2(f).
- (ll) "International Offering" means the distribution of the Offered Shares by the Underwriters and their affiliates outside of Canada.
- (mm) "Master Agreements" means the agreements entered into by certain Subsidiaries, pursuant to which the Company secures its supply of standing timber.
- (nn) "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).
- (oo) "NI 44-101" means National Instrument 44-101 - *Short Form Prospectus Distributions*.

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- (pp) "Notes" means US\$400 million of 4.25% convertible senior notes due 2016, as more particularly described in the final offering memorandum dated December 10, 2009.
- (qq) "OFAC" has the meaning specified in Section 2(cc).
- (rr) "Offered Shares" has the meaning specified in the Recitals.
- (ss) "Offering" has the meaning specified in the Recitals.
- (tt) "Offering Documents" means the Preliminary Prospectus, the Prospectus, the Supplementary Material, the Preliminary International Offering Memorandum and the Final International Offering Memorandum.
- (uu) "Option Closing Date" has the meaning specified in Section 3.
- (vv) "Option Closing Time" has the meaning specified in Section 4.
- (ww) "Optional Shares" has the meaning specified in the Recitals.
- (xx) "Over-Allotment Option" has the meaning specified in Section 3.
- (yy) "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).
- (zz) "PRC" means the People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purposes of this Agreement).
- (aaa) "PRC Limited Company Subsidiary" or "PRC Limited Company Subsidiaries" has the meaning specified in Section 2(j).
- (bbb) "PRC Subsidiaries" has the meaning specified in Section 2(j).
- (ccc) "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 in the English language and certain additional pages, as amended or supplemented.
- (ddd) "Preliminary Prospectus" means the preliminary short form prospectus of the Company dated the date of this Agreement, in English and French, and filed with the Securities Regulators in connection with the qualification of the Offered Shares 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

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Prospectus" shall include the Preliminary Prospectus included in the Preliminary International Offering Memorandum.

- (eee) "Prospectus" means the (final) short form prospectus of the Company in English and French, approved, signed and certified in accordance with the Canadian Securities Laws, relating to the qualification for distribution of the Offered Shares 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.
- (fff) "Purchase Price" has the meaning specified in Section 3.
- (ggg) "Qualified Institutional Buyer" means a "qualified institutional buyer" as that term is defined in Rule 144A.
- (hhh) "Qualifying Jurisdictions" means the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.
- (iii) "Regulation D" means Regulation D adopted by the SEC under the 1933 Act.
- (jjj) "Regulation S" means Regulation S adopted by the SEC under the 1933 Act.
- (kkk) "Repayment Event" has the meaning set forth in Section 2(vv).
- (lll) "Rule 144A" means Rule 144A under the 1933 Act.
- (mmm) "SEC" means the United States Securities and Exchange Commission.
- (nnn) "Securities Regulators" means the applicable securities commission or regulatory authority in each of the Qualifying Jurisdictions and in the United States, as applicable.
- (ooo) "Solvent" has the meaning specified in Section 2(t).
- (ppp) "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;

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- (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 WFOEs and each of the additional entities identified in Schedules 1, 2, 3, 4, 5 and 6 but excludes Sino-Panel Corporation, Sinowood Holdings Limited, Sinowood Finance Limited, Khan Forestry Inc. and Max Gain Development Limited which have no or minimal assets or liabilities, are not engaged in any operation and are currently considered inactive.

- (qqq) "Substantial U.S. Market Interest" means "substantial U.S. market interest" as that term is defined in Regulation S.
- (rrr) "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.
- (sss) "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.
- (ttt) "TSX" means the Toronto Stock Exchange.
- (uuu) "Underwriters" has the meaning set forth in the Recitals.
- (vvv) "Underwriters' Canadian Counsel" means the law firm of Stikeman Elliott LLP.
- (www) "Underwriters' Counsel" means collectively, Underwriters' Canadian Counsel, Underwriters' PRC Counsel and Underwriters' U.S. Counsel.
- (xxx) "Underwriters' PRC Counsel" means the law firm of Commerce & Finance Law Offices.
- (yyy) "Underwriters' U.S. Counsel" means the law firm of Davis Polk & Wardwell.

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- (zzz) "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.
- (aaaa) "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.
- (bbbb) "WFOEs" has the meaning set forth in 2(j).

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) All of the subsidiaries of the Company, except those specifically excluded in Section 1(ppp), are listed on Schedule 6 hereto; there is no other company or undertaking in which any of the Company or its Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise).
- (c) 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; except as disclosed in the following item (m) 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 or another Subsidiary are owned directly or indirectly by the Company, free and clear of all liens,

encumbrances, equities or claims other than as set forth in the Offering Documents.

- (d) 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. Except for the Governmental Authorizations whose absence would not have a material adverse effect on the Condition of the Company, 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.
- (e) 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 except for the mortgages, liens, pledges or other security interests relating to the bank borrowings and other indebtedness by the Company disclosed in the Offering Documents; 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.
- (f) The Company and its Subsidiaries own or possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (collectively, the "Intellectual Property Rights") reasonably necessary to conduct their businesses as now conducted; neither the Company nor any of its Subsidiaries has received any notice of or is otherwise aware of infringement or conflict with asserted Intellectual Property Rights of others.
- (g) 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.
- (h) The relevant PRC Subsidiaries have duly obtained or are in the process of applying for the relevant Plantation Rights Certificates, its equivalents or



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other relevant approvals for their legal titles to the plantation land use rights and the planted tree plantations. The relevant PRC Subsidiaries have planted approximately 69,000 hectares of planted tree plantation as of September 30, 2009.

- (i) Each of the Company and its Subsidiaries 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.
- (j) Each of the Company's Subsidiaries in the PRC has been duly established as a wholly foreign owned enterprises (each, a "WFOE" and, collectively the "WFOEs") or a PRC limited company invested by WFOE (each, a "PRC Limited Company Subsidiary" and, collectively the "PRC Limited Company Subsidiaries"; together with the WFOEs, the "PRC Subsidiaries") in compliance with applicable PRC laws and regulations.
- (k) The ownership structure of the PRC Subsidiaries as described in the Offering Documents is in compliance with any applicable laws and regulations in the PRC.
- (l) Except for Sino-Panel (Fujian) Co, Ltd., Sino-Panel (Heilongjiang) Trading Co., Ltd., Sino-Panel (Guangzhou) Trading Co., Ltd., Jiangxi Jiawei Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd. and Shaoyang Jiading Wood Products Co., Ltd. whose registered capital shall be subscribed in instalments in accordance with their respective government approvals, the registered capital of each of the PRC Subsidiaries has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect; the Company will pay or cause to be paid in full the unpaid registered capital of Sino-Panel (Fujian) Co, Ltd., Sino-Panel (Heilongjiang) Trading Co., Ltd., Sino-Panel (Guangzhou) Trading Co., Ltd., Jiangxi Jiawei Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd. and Shaoyang Jiading Wood Products Co., Ltd. in due course in accordance with PRC laws and regulations.
- (m) The articles of association of each of the WFOEs comply with the requirements of applicable laws of the PRC, and are in full force and effect.
- (n) Each of (i) the documents listed under "Material Contracts" in the Company's annual information form dated March 31, 2009, (ii) the Master Agreements or other contracts entered into by the Subsidiaries of the Company relating to the purchase of the rights to the trees on particular plantation land with or without a pre-emptive right to lease such plantation land, (iii) the longterm lease agreements entered into by any of the Company's Subsidiaries for tree plantations, (iv) the share purchase or other investment agreements entered into by the Company and any of its

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Subsidiaries, and (v) any other contracts or arrangements between any of either the Company or the Company's Subsidiaries and an authorized intermediary regarding the sales of standing timber, has been duly authorized, executed and delivered by the relevant Subsidiaries of the Company, 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. The Company has no knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any such material contract and none of the Company or its Subsidiaries has received notice of any intention to terminate any such contract or agreement or repudiate or disclaim any such transaction. All descriptions of material contracts or documents in the Offering Documents, to the extent such descriptions purport to describe or summarize such contracts or documents, are true and accurate in all material respects, fairly summarize the contents of such contracts or documents and do not omit any material information which affects the import of such descriptions.

- (o) Each of the WFOEs has obtained all necessary foreign exchange registration certificates from the State Administration of Foreign Exchange or its local counterparts and has passed foreign exchange annual inspections, except for those the absence of which would not result in a material adverse effect on the Condition of the Company. The Company, through the WFOEs, has obtained all necessary foreign exchange registration certificates from the State Administration of Foreign Exchange or its local counterparts for its investments in the PRC. No other governmental registration, authorization or filing with any governmental authority is required in the PRC in respect of the ownership by the Company of its direct or indirect equity interest in any PRC Subsidiary, except for those that have already been obtained or those the absence of which would not result in a material adverse effect on the Condition of the Company.
- (p) 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. No wholly-owned Subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's properties or assets to the Company or any other wholly-

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owned Subsidiary upon the requisite approval procedures for such transferring, except for Sino-Panel (Fujian) Co, Ltd., Sino-Panel (Heilongjiang) Trading Co., Ltd., Sino-Panel (Guangzhou) Trading Co., Ltd., Jiangxi Jiawei Panel Co., Ltd., Hunan Jiayu Wood Products Co., Ltd. and Shaoyang Jiading Wood Products Co., Ltd., whose registered capital has been partially paid up and the dividend payments and remittances for which shall be made in proportion to the paid-up contribution of its registered capital, and except as otherwise described in the Offering Documents.

- (q) The authorized capital of the Company conforms to the description thereof contained in the Offering Documents. None of the outstanding Common Shares were issued in violation of any preemptive rights, rights of first refusal or other similar rights to subscribe for or purchase securities of the Company. There are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any capital stock of the Company or any of its Subsidiaries other than those accurately described in the Offering Documents, including the Notes, if issued. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, set forth in the Offering Documents accurately and fairly describes such plans, arrangements, options and rights.
- (r) Each of the WFOEs has full power and authority to borrow shareholder loans from its foreign shareholder as contemplated and described in the Offering Documents. Except for those disclosed in the Offering Documents, no other 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 are required for any WFOE to borrow shareholder loans. Each of the WFOEs will be able to repay such shareholder loans in, and remit to outside the PRC, United States dollars, except for the withholding tax required under the Enterprise Income Tax Law of the PRC and other exceptions, in each case, as disclosed in the Offering Documents, 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.
- (s) The Company and each Subsidiary is, and immediately after the Closing Time and immediately upon consummation of the transactions contemplated herein and in the Offering Documents will be, Solvent. As used herein, the term "Solvent" means, with respect to an entity, on a particular date, that on such date (a) the book value of the assets of such entity is greater than or equal to the total amount of liabilities (including contingent liabilities) of such entity, (b) the value of the assets of the entity is greater than the amount that will be required to pay the probable liabilities of such entity on its debt as they become absolute and mature, (c) the entity is able to realize upon its

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assets and pay its debts and other liabilities (including contingent obligations) as they mature, and (d) the entity does not have unreasonably small capital. Except such as would not result in a material adverse effect on the Condition of the Company, no winding up or liquidation proceedings have been commenced against the Company or any of its Subsidiaries and no proceedings have been started or, to the best of the knowledge of the Company, threatened for the purpose of, and no judgment has been rendered, declaring the Company or any of its Subsidiaries bankrupt or in any insolvency proceeding, or for any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, trustee, administrator or similar officer of any of the Company and its Subsidiaries, or any of their respective properties, revenues or assets.

- (t) 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.
- (u) The Common Shares are listed on the TSX under the symbol "TRE". The Company has taken no action designed, or likely, to have the effect of delisting the Common Shares from the TSX nor is the TSX contemplating such delisting.
- (v) 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 and will be free and clear of any security interests, claims, liens, equity or encumbrances; and no holder of such shares will be subject to personal liability by reason of being such a holder. Except as disclosed in the Offering Documents, there are no limitations on the rights of the holders of the Offered Shares to hold, vote or transfer their shares.
- (w) The total shareholders' equity of the Company is as set forth in the Preliminary Prospectus under the caption "Consolidated Capitalization of the Corporation" as of September 30, 2009, and the actual, authorized, issued and outstanding number of Common Shares as of September 30, 2009 is as set forth in the Preliminary International Offering Memorandum and Final International Offering Memorandum, and there have been no changes to such amounts.
- (x) 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(x)(ii) above.
- (y) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the Condition of the Company, whether or not arising out of the ordinary course of business, from that set forth in the Preliminary Prospectus (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement). Other than as set forth in the Offering Documents, (i) there have been no transactions entered into by the Company or any of its Subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its Subsidiaries considered in the aggregate, (ii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock, and (iii) neither the Company nor any of its Subsidiaries has sustained any material loss or interference with its business from fire, earthquake, flood, explosion or other calamity, whether or not covered by insurance.
- (z) 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.
- (aa) 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,

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which, in either case, would result in any material adverse effect on the Condition of the Company.

- (bb) The Company and its Subsidiaries have not, and to the best of the knowledge 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.
- (cc) Neither the Company or any of its Subsidiaries nor, to the best of the knowledge 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 (a) the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC") (including but not limited to the designation as a "specially designated national or blocked person" thereunder), (b) Her Majesty's Treasury, or (c) any other relevant authority in the European Union; 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 (including but not limited to the designation as a "specially designated national or blocked person" thereunder), (b) Her Majesty's Treasury, or (c) any other relevant authority in the European Union.
- (dd) 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.

- (ee) 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.
- (ff) 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.
- (gg) 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.
- (hh) 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, 2006 (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.

- (ii) The financial statements, together with the related schedules and notes, included in the Offering Documents, present fairly, in all material respects, the financial position of the Company and its consolidated Subsidiaries (as defined below) at the dates indicated and the statements of income and retained earnings, comprehensive income and cash flows of the Company and its consolidated Subsidiaries for the periods specified therein; said financial statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The selected financial data and the summary financial information included in the Offering Documents present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Offering Documents. The other financial and operational information included in the Offering Documents present fairly information included therein.
- (jj) Other than as disclosed in the financial statements referred to in clause 2(ii) 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.
- (kk) 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 (ii), which are material to the Condition of the Company.
- (ll) 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.
- (mm) The sections entitled "Management's Discussion and Analysis - Overview of Business - Significant Accounting Policies and Interpretation" and "Management's Discussion and Analysis - Critical Accounting Estimates" in



the Offering Documents accurately and fairly describes in all material respects (i) accounting policies which the Company believes are the most important in the portrayal of the financial condition and results of operations for the Company and its consolidated Subsidiaries and which require management's most difficult, subjective or complex judgments ("critical accounting estimates"); and (ii) judgments and uncertainties affecting the application of critical accounting policies. The sections entitled "Management's Discussion and Analysis - Liquidity and Capital Resources" in the Offering Documents accurately and fairly describes in all material respects (x) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect its liquidity and are reasonably likely to occur; and (y) all off-balance sheet arrangements, if any, that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company and the Subsidiaries taken as a whole. Except as disclosed in the Offering Documents, there are no outstanding guarantees or other contingent obligations of the Company or any Subsidiary that could reasonably be expected to have a material adverse effect on the Condition of the Company.

- (nn) 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 GAAP 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) the Company and each of its Subsidiaries have made and kept books, records and accounts, which in reasonable details, accurately and fairly reflect in all material respects the transactions and dispositions of assets of such entity; (vi) 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 (vii) 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.

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- (oo) 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 - Continuous Disclosure Obligations) since January 1, 2006 with the present or any former auditors of the Company.
- (pp) The Company and its Subsidiaries carry or are entitled to the benefits of insurance, with to the best of the knowledge, information and belief of the Company, financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its Subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a material adverse change in the Condition of the Company.
- (qq) 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.
- (rr) 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.
- (ss) Neither the Company nor any of its Subsidiaries is, or with the giving of notice or lapse of time or both would be, (A) in violation of any provision of law, statute, rule or regulation or its charter documents, by-laws, business license, business permit or other constitutional documents, or any judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations or (B) in default in

the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of the property or assets of the Company or any of its Subsidiaries is subject (collectively, "Agreements and Instruments") except, in each case, for such violations or defaults that would not result in a material adverse effect on the Condition of the Company; and the execution, delivery and performance of this Agreement and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the transactions contemplated hereby or thereby or in the Offering Documents and the consummation of the transactions contemplated herein and in the Offering Document (including the issuance and sale of the Offered Shares and the use of the proceeds from the sale of the Offered Shares as described in the Offering Documents under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder or thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries pursuant to, the Agreements and Instruments, nor will such action result in any violation of the provisions of the charter documents, by-laws, business license, business permit or other constitutional documents of the Company or any of its Subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its Subsidiaries.

- (tt) 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.
- (uu) 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. The Company has not taken any action to cease to be a reporting issuer in any province nor has the Company received notification from any applicable Canadian securities regulatory authority seeking to revoke the reporting issuer status of the Company.

- (vv) 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.
- (ww) Each of the Company, its Subsidiaries, its affiliates and, to the best knowledge of the Company, any of their respective officers, directors, supervisors, managers, agents, or employees, has not violated, its participation in the offering will not violate, and it has instituted and maintains policies and procedures designed to ensure continued compliance each of the following laws: (a) anti-money laundering laws, including but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, Title 18 U.S. Code section 1956 and 1957, the Patriot Act, the Bank Secrecy Act, and international anti-money laundering principals or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur, all as amended, and any executive order, directive, or regulation pursuant to the authority of any of the foregoing, or any orders or licenses issued thereunder or (b) laws and regulations imposing U.S. economic sanctions measures, including, but not limited to, the International Emergency Economic Powers Act, the Trading with the Enemy Act, the United Nations Participation Act, and the Syria Accountability and Lebanese Sovereignty Act, all as amended, and any Executive Order, directive, or regulation pursuant to the authority of any of the foregoing, including the regulations of the United States Treasury Department set forth under 31 CFR, Subtitle B, Chapter V, as amended, or any orders or licenses issued thereunder.

- (xx) Any statistical and market-related data included in the Offering Documents are based on or derived from sources that the Company believes to be reliable and accurate, and, to the extent required or otherwise necessary, the Company has obtained the written consent or other consent in requisite form to the use of such data from such sources.

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, 19,000,000 Common Shares at Cdn.\$16.80 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 2,850,000 Optional Shares at the Purchase Price (the "Over-Allotment Option"). The Co-Lead Underwriters, on behalf of 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 the Co-Lead Underwriters, 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 concurrent offering of the Notes, the acquisition of Mandra Forestry Holdings Limited, or 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 December 17, 2009 or on such other date, not later than January 31, 2010 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 January 31, 2010 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 a commission equal to 4.5% 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 Option Closing Date equal to 4.5 % 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 or, upon the mutual agreement of the Company and the Underwriters, Company shall deliver, or cause to be delivered, the Firm Shares pursuant to the direct registration system; (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 4.5% commission by wire transfer to the order of the Underwriters in Canadian same day funds, to be deducted from 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 or Company's Canadian Counsel 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 Credit Suisse Securities (Canada) Inc. 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 or Company's Canadian Counsel 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 4 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, in form

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and substance satisfactory to the Underwriters and the Underwriters' Counsel, acting reasonably. Such opinion shall be rendered to the Underwriters at the request of the Company and shall so state therein.

- (c) The Company shall have received a legal opinion dated the Closing Date from the Company's PRC Counsel, addressed to the Company for its sole reliance and expressly consent to the Company's delivering a copy of such opinion to the Underwriters and Underwriters' Counsel, in form and substance satisfactory to the Underwriters, acting reasonably.
- (d) The Underwriters shall have received a legal opinion and disclosure letter dated the Closing Date from the Company's U.S. Counsel, addressed to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably. Such opinion and disclosure letter shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (e) The Company shall have received a legal opinion dated the Closing Date from the Company's Hong Kong Counsel addressed to the Company for its sole reliance and expressly consent to the Company's delivering a copy of such opinion to the Underwriters, in form and substance satisfactory to the Underwriters, acting reasonably.
- (f) The Underwriters shall have received a legal opinion dated the Closing Date from the Company's BVI and Cayman Counsel in form and substance satisfactory to Underwriters and the Underwriters' Counsel, acting reasonably. Such opinion shall be rendered to the Underwriters at the request of the Company, and shall so state therein.
- (g) The Underwriters shall have received a legal opinion dated the Closing Date from Underwriters' Canadian Counsel, addressed to the Underwriters, in a form satisfactory to the Underwriters, acting reasonably.
- (h) The Underwriters shall have received legal opinions dated the Closing Date from Underwriters' PRC Counsel, addressed to the Underwriters, in a form satisfactory to the Underwriters, acting reasonably.
- (i) The Underwriters shall have received a legal opinion and disclosure letter dated the Closing Date from Underwriters' U.S. Counsel, addressed to the Underwriters, in forms satisfactory to the Underwriters, acting reasonably.
- (j) 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 receipt for the Prospectus has been issued by the Ontario Securities Commission as the principal regulator of the Company, and no order suspending or preventing the use of the Prospectus or any



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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 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, 2006;
  - (vi) except for such non-compliance which would not, in the aggregate, result in a material adverse effect on the Condition of the Company, 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; and
  - (vii) from October 1, 2009 to December 17, 2009, there has been no material adverse change in the Company's financial position as stated in its financial statements for the period ended September 30, 2009 and the Company has undertaken acceptable procedures to provide comfort to the Underwriters with respect to certain information included in the Final International Offering Memorandum, such comfort to be set out in a certificate substantially in a form satisfactory to the Underwriters and the Underwriters' Counsel.
- (k) 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.
- (l) The Underwriters shall have received on 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)(viii) hereof, and updated to a date not less than two days prior to the Closing Date.
  - (m) On the Closing Date, the Offered Shares shall be listed and posted for trading on the TSX.
  - (n) On or prior to the Closing Date, all necessary and required regulatory approvals in connection with the Offering have been received by the Company.
  - (o) The Company shall have delivered the definitive certificates, where applicable representing the Offered Shares as specified in Section 4 hereof.
  - (p) 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 and the Underwriters relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Offered

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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 in connection with due diligence and marketing meetings; (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 the Offering Documents; and (x) all other costs and expenses incident to the performance of the obligations of the Company and the Underwriters hereunder for which provision is not otherwise made in this Section 6.

- (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) Prior to the date of this Agreement, the Company will have, prepared and filed the Preliminary Prospectus in order to qualify the Offered Shares for distribution in each of the Qualifying Jurisdictions in accordance with the Canadian Securities Laws and will have obtained a receipt for the Preliminary Prospectus.
- (f) The Company will prepare and file the Prospectus and will use reasonable commercial efforts to obtain a receipt for the Prospectus from the Ontario Securities Commission, in order to qualify the Offered Shares for distribution in each of the Qualifying Jurisdictions in accordance with the Canadian Securities Laws, as soon as possible, and, shall obtain such receipt, in any event, not later than 5:00 pm (Toronto time) on December 11, 2009 (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 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.
- (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 Prospectus or any Supplementary Material, as the case may be:
  - (i) a copy of the Preliminary Prospectus in the English language, 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

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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 have delivered or caused to be delivered to the Underwriters, without charge, as soon as possible 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 the filing of the Prospectus or any Supplementary Material, as the case may be:
    - (i) a copy of the Prospectus in the English language, signed as required by the Canadian Securities Laws, including copies of documents incorporated by reference therein;
    - (ii) an opinion of its auditors, Ernst & Young LLP, addressed to the Underwriters, in form and substance satisfactory to the Underwriters and Underwriters' Counsel, to the effect that the French language version of the financial statements together with the related schedules and notes thereto and the related auditors' reports included in the Preliminary Prospectus and the Prospectus (all of the foregoing collectively known as the "Financial Information") is, in all material respects, complete and proper translations of the English language version thereof and such French language version is not susceptible to any materially different interpretation with respect to any material matter contained therein;
    - (iii) an opinion of BCF LLP, Québec, addressed to the Underwriters in form and substance satisfactory to the Underwriters and Underwriters' counsel, to the effect that, except for the Financial Information, the French language version of each of the Preliminary Prospectus and the Prospectus is, in all material respects, a complete and proper translation of the English language version thereof, and such French language version is not susceptible to any materially different interpretation with respect to any material matter contained therein;
    - (iv) an opinion of BCF LLP, Québec, addressed to the Underwriters, in form and substance satisfactory to the Underwriters and their counsel, with respect to compliance with all the laws of the Province of Québec relating to the use of the French language in connection with the distribution of Offered Shares;

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- (v) 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;
  - (vi) 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;
  - (vii) a copy of the Final International Offering Memorandum;
  - (viii) 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 Final International Offering Memorandum and the auditors' comfort letter addressed to the Securities Regulators; and
  - (ix) 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 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 receipt for the Prospectus has been issued by the Ontario Securities Commission, 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, 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.
- (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) the Company after giving effect to the Offering and sale of the Offered Shares and the application of the proceeds in the manner described in the Offering Documents, does not expect to be a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended, for its current taxable years and does not anticipate becoming one in the foreseeable future.
- (vi) 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.
- (vii) 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.
- (viii) the Offered Shares satisfy the requirements set forth in Rule 144A(d)(3) under the 1933 Act.
- (ix) during the period of one year 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(a)(3) that have been re-acquired by any of them.
- (x) 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 files reports and other information with the SEC under Section 13 or 15(d) of the 1934 Act or is exempt from such reporting requirement pursuant to Rule 12g3-2(b) under the 1934 Act.

- (b) With respect to offers and sales within the United States pursuant to the International Offering, each Underwriter agrees with the Company that:
  - (i) 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;
  - (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) Each of the Underwriters has 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 respective 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;

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- (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.
- (e) Neither the Company nor to its knowledge any affiliate, as such term is defined in Rule 501(b) under the 1933 Act, of the Company has taken, nor will the Company or any Affiliate of the Company take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Offered Shares.

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 the 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*

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- (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:

Credit Suisse Securities (Canada) Inc.	30%
TD Securities Inc.	30%
Dundee Securities Corporation	15%
RBC Dominion Securities Inc.	5%
Scotia Capital Inc.	5%
CIBC World Markets Inc.	5%
Merrill Lynch Canada Inc.	5%
Canaccord Financial Ltd.	2.5%
Maison Placements Canada Inc.	2.5%

- (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 TSX, 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) the Company, subject to Section 6(a), has not obtained a receipt for the Prospectus from the Ontario Securities Commission, in order to qualify the Offered Shares for distribution in each of the Qualifying Jurisdictions in accordance with the Securities Laws, by 5:00 pm (Toronto Time) on December 11, 2009 (or such other time and/or later date as the Company and the Underwriters may agree in writing);
  - (vi) 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;
  - (vii) there should develop, occur or come into effect or existence, any event, action, state, condition or occurrence of national or

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international consequence, acts of hostilities, terrorism, or escalation thereof or other calamity or crisis, any changes 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

- (viii) 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:

Credit Suisse Securities (Canada) Inc.  
1 First Canadian Place  
Suite 2900  
Toronto, ON M5X 1C9

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Attention: Ryan Lapointe  
Telecopier No.: (416) 352-0925

and

TD Securities Inc.  
1 Place Ville Marie Suite 2315  
Montreal, Quebec H3B 3M5  
Canada

Attention: Louis Véronneau  
Telecopier No.: (514) 259-1212

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 the Co-Lead Underwriters.* The Co-Lead Underwriters are hereby authorized by the other Underwriters to act on their 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 the Co-Lead Underwriters

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which represent and warrant that they have irrevocable authority to bind the Underwriters, except in respect of any matters relating to termination, waiver or extension, and Sections 10 and 11, which matters may be acted on by only the Underwriter affected. The Co-Lead Underwriters shall consult with the other Underwriters concerning any matter in respect of which they act as joint representatives 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: *"David Horsley"*

\_\_\_\_\_  
Name: David Horsley

Title: Senior Vice-President and Chief  
Financial Officer

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Accepted as of the date hereof

**CREDIT SUISSE SECURITIES  
(CANADA) INC.**

By: "Ryan Lapointe"  
Name: Ryan Lapointe  
Title: Vice-President

**TD SECURITIES INC.**

By: "Louis G. Véronneau"  
Name: Louis G. Véronneau  
Title: Vice-President and Director

**DUNDEE SECURITIES  
CORPORATION**

By: "David G. Anderson"  
Name: David G. Anderson  
Title: Vice-Chairman

**RBC DOMINION SECURITIES INC.**

By: "Steven Borritt"  
Name: Steven Borritt  
Title: Vice-President

**SCOTIA CAPITAL INC.**

By: "Andrew McLenan"  
Name: Andrew McLenan  
Title: Director

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## CIBC WORLD MARKETS INC.

By: "Alan Wallace"  
Name: Alan Wallace  
Title: Managing Director

## MERRILL LYNCH CANADA INC.

By: "Neil Kell"  
Name: Neil Kell  
Title: Director

## CANACCORD FINANCIAL LTD.

By: "Charles Shin"  
Name: Charles Shin  
Title: Director

MAISON PLACEMENTS CANADA  
INC.

By: "John R. Ing"  
Name: John R. Ing  
Title: President



Schedule 1List of WFOEs

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业(广州)有限公司)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业(河源)有限公司)
3. Sino-Forest (Anhui) Co., Ltd. (嘉汉林业(安徽)有限公司)
4. Sino-Forest (China) Investments Limited (嘉汉林业(中国)投资有限公司)
5. Sino-Forest (Guangzhou) Trading Co., Ltd. (嘉汉林业(广州)商贸有限公司) \*
6. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业(苏州)商贸有限公司)
7. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业(苏州)有限公司)
8. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
9. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
10. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)
11. Zhangzhou Jiamin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司)
12. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木(苏州)有限公司)
13. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情(上海)贸易有限公司)
14. Sino-Maple (Shanghai) Co., Ltd. (北美枫情(上海)商贸有限公司)
15. Sino-Panel (China) Investments Limited (嘉汉板业(中国)投资有限公司)
16. Sino-Panel (Fujian) Co., Ltd. (嘉汉板业(福建)有限公司)
17. Guangdong Jiayao Wood Products Development Co., Ltd.  
(广东嘉耀木业发展有限公司)
18. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司)
19. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司)
20. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd.  
(湘西自治州嘉怡林业发展有限公司)

\*Sino-Forest (Guangzhou) Trading Co., Ltd. is in the process of deregistration.

21. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd.  
(湖南嘉裕木业(洪江市)有限公司)
22. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.  
(张家港保税区嘉森国际贸易有限公司)
23. Shaoyang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司)
24. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业(耿马)有限公司)
25. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
26. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业(鹿寨)有限公司)
27. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
28. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司)
29. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd.  
(湖南嘉裕木业(芷江)有限公司)
30. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
31. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
32. Sino-Panel (Guangzhou) Co., Ltd. (嘉汉板业(广州)商贸有限公司)
33. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
34. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
35. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)
36. Sino-Panel (Heilongjiang) Trading Co., Ltd. (嘉汉板业(黑龙江)贸易有限公司)
37. Jiangxi Jiawei Panel Co., Ltd. (江西嘉维板业有限公司)

Schedule 2List of PRC Limited Companies invested by WFOE

1. Suzhou City Lvyun Garden Engineering Co., Ltd. ( 苏州市绿韵园林工程有限公司 )
2. Beihai Changqing Wooden Co., Ltd. ( 北海常青木业有限公司 )

Schedule 3List of non-Material PRC Subsidiaries

1. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
2. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
3. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
4. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)
5. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
6. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd.  
(湖南嘉裕木业(芷江)有限公司)
7. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
8. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
9. Suzhou City Lvyun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司)
10. Beihai Changqing Wooden Co., Ltd. (北海常青木业有限公司)
11. Sino-Panel (Fujian) Co., Ltd. (嘉汉板业(福建)有限公司)
12. Sino-Panel (Heilongjiang) Trading Co., Ltd. (嘉汉板业(黑龙江)贸易有限公司)
13. Sino-Forest (Guangzhou) Trading Co., Ltd. (嘉汉林业(广州)商贸有限公司)
14. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情(上海)贸易有限公司)

**Schedule 4****List of the BVI Subsidiaries**

1. Suri-Wood Inc.
2. Express Point Holdings Ltd.
3. Smart Sure Enterprises Ltd.
4. Ace Supreme International Ltd.
5. Glory Billion International Ltd.
6. Amplemax Worldwide Ltd.
7. Expert Bonus Investment Ltd.
8. Sino-Panel (Yunnan) Limited

Schedule 5List of Shareholders of PRC Subsidiaries

1. Sino-Wood (Jiangxi) Limited
2. Sino-Forest Investments Limited
3. Grandeur Winway Ltd.
4. Sinowin Investments Ltd.
5. Sino-Forest Bio-Science Limited
6. Sino-Panel (Asia) Inc.
7. Sino-Panel (Gaoyao) Ltd.
8. SFR (China) Inc.
9. Sino-Panel (Guangxi) Ltd.
10. Sino-Panel (North Sea) Ltd.
11. Sino-Panel [Suzhou] Ltd.
12. Sino-Panel [(Yunnan)] Ltd.
13. Sino-Panel [Hunan] Ltd.
14. Sino-Panel [Xiangxi] Ltd.
15. Sino-Panel (North East China) Ltd.
16. Sino-Panel (Guangzhou) Ltd.
17. Sino-Panel (Huaihua) Ltd.
18. Sino-Panel (Yongzhou) Ltd.
19. Sino-Forest (China) Investments Limited (嘉汉林业(中国)投资有限公司)
20. Sino-Panel (China) Investments Limited (嘉汉板业(中国)投资有限公司)
21. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木(苏州)有限公司)
22. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业(苏州)有限公司)

Schedule 6List of Subsidiaries

[Company to confirm]

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业 ( 广州 ) 有限公司)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业 ( 河源 ) 有限公司)
3. Sino-Forest (Anhui) Co., Ltd. (嘉汉林业 ( 安徽 ) 有限公司)
4. Sino-Forest (China) Investments Limited (嘉汉林业 ( 中国 ) 投资有限公司)
5. Sino-Forest (Guangzhou) Trading Co., Ltd. (嘉汉林业 ( 广州 ) 商贸有限公司)
6. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业 ( 苏州 ) 商贸有限公司)
7. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业 ( 苏州 ) 有限公司)
8. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司)
9. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司)
10. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司)
11. Zhangzhou Jiamin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司)
12. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木 ( 苏州 ) 有限公司)
13. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情 ( 上海 ) 贸易有限公司)
14. Sino-Maple (Shanghai) Co., Ltd. (北美枫情 ( 上海 ) 商贸有限公司)
15. Sino-Panel (China) Investments Limited (嘉汉板业 ( 中国 ) 投资有限公司)
16. Sino-Panel (Fujian) Co., Ltd. (嘉汉板业 ( 福建 ) 有限公司)
17. Guangdong Jiayao Wood Products Development Co., Ltd. (广东嘉耀木业发展有限公司)
18. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司)
19. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司)
20. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd. (湘西自治州嘉熙林业发展有限公司)
21. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd. (湖南嘉裕木业 ( 洪江市 ) 有限公司)

22. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.  
(张家港保税区嘉森国际贸易有限公司)
23. Shaoyang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司)
24. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业(耿马)有限公司)
25. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业(广西)发展有限公司)
26. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业(鹿寨)有限公司)
27. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司)
28. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司)
29. Hunan Jiayu Wood Products (Zhujiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司)
30. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司)
31. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司)
32. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司)
33. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司)
34. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司)
35. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司)
36. Sino-Panel (Heilongjiang) Trading Co., Ltd. (嘉汉板业(黑龙江)贸易有限公司)
37. Jiangxi Jiawei Panel Co., Ltd. (江西嘉维板业有限公司)
38. Suzhou City Lvyun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司)
39. Beihai Changqing Wooden Co., Ltd. (北海常青木业有限公司)
40. Dynamic Profit Holdings Limited
41. Grandeur Winway Limited
42. SFR (China) Inc.
43. Sino-Capital Global Inc.
44. Sino-Forest Investments Limited
45. Sino-Forest Bio-Science Limited
46. Sino-Forest Resources Inc.
47. Sino-Global Holdings Inc.
48. Sino-Panel (Asia) Inc.



49. Sino-Panel (Fujian) Limited
50. Sino-Panel (Gaoyao) Ltd.
51. Sino-Panel (Guangxi) Limited
52. Sino-Panel (Guangzhou) Limited
53. Sino-Panel (Guizhou) Limited
54. Sino-Panel Holdings Limited
55. Sino-Panel (Huaihua) Limited
56. Sino-Panel [Hunan] Limited
57. Sino-Panel (North-East China) Limited
58. Sino-Panel (North Sea) Limited
59. Sino-Panel (Qinzhou) Limited
60. Sino-Panel (Shaoyang) Limited
61. Sino-Panel [Suzhou] Limited
62. Sino-Panel [Xiangxi] Limited
63. Sino-Panel (Yongzhou) Limited
64. Sino-Panel (Yunnan) Limited
65. Sinowin Investments Limited
66. Suri-Wood Inc.
67. Amplemax Worldwide Limited
68. Glory Billion International Limited
69. Smart Sure Enterprises Limited
70. Expert Bonus Investment Limited
71. Ace Supreme International Limited
72. Express Point Holdings Limited
73. Sino-Wood (Jiangxi) Limited
74. Sino-Wood (Guangdong) Limited
75. Sino-Wood (Fujian) Limited
76. Sino-Wood Partners, Limited
77. Sino-Plantation Limited
78. Sino-Wood (Guangxi) Limited
79. Sinowood Limited

**TAB G**

# TAB G

This is Exhibit "G" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'ASLAVENS', with a long horizontal stroke extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.

*Execution Version*

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**SINO-FOREST CORPORATION**  
(a Canada Business Corporations Act corporation)

6<sup>1</sup>/<sub>4</sub>% Guaranteed Senior Notes due 2017

**PURCHASE AGREEMENT**

Dated: October 14, 2010

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**Sino-Forest Corporation**

(a Canada Business Corporations Act corporation)

US\$600,000,000

6 1/4% Guaranteed Senior Notes due 2017

**PURCHASE AGREEMENT**

October 14, 2010

Banc of America Securities LLC  
One Bryant Park, New York, NY 10036  
United States

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States

As Representatives of the Initial Purchasers  
named in Schedule A hereto

Ladies and Gentlemen:

Sino-Forest Corporation, a Canada Business Corporations Act corporation (the "Company"), confirms its agreement with Banc of America Securities LLC ("BAML") and Credit Suisse Securities (USA) LLC ("Credit Suisse") and the initial purchasers named in Schedule A hereto (together, the "Initial Purchasers", which term shall also include any initial purchaser substituted as hereinafter provided in Section 11 hereof), for whom BAML and Credit Suisse are acting as representatives (in such capacity, the "Representatives"), with respect to the issue and sale by the Company and the purchase by the Initial Purchasers, acting severally and not jointly, of the respective principal amounts of the Company's 6 1/4% Guaranteed Senior Notes due 2017 (the "Notes") set forth in Schedule A hereto. The Notes are to be issued pursuant to an indenture (the "Indenture") to be dated as of the Closing Date (as defined in Section 2(b)) among the Company, the subsidiary guarantors named in Schedule D-1 hereto (each a "Subsidiary Guarantor") and Law Debenture Trust Co. of New York, as trustee (the "Trustee").

Notes issued in book-entry form will be issued to Cede & Co. as nominee of The Depository Trust Company ("DTC").

The payment of principal of, interest on, and all other amounts due under, the Notes will be irrevocably and unconditionally guaranteed on a senior basis by the Subsidiary Guarantors, pursuant to their guarantees (the "Subsidiary Guarantees"). The Notes and the Subsidiary Guarantees attached thereto are herein collectively referred to as the "Securities." The Securities will be secured by a valid and enforceable perfected first priority security interest over all the shares held by each Subsidiary Guarantor Pledgor (as hereinafter defined) (collectively, the "Collateral"). The Company and the pledgors listed in Schedule D-4 hereto (the "Subsidiary Guarantor Pledgors") and Law Debenture Trust Co. of New York as security trustee (the "Security Trustee") will enter into the share pledges listed in Schedule E (Part I) hereto (collectively, the "Share Pledges"), to be dated as of the Closing Date. The

Collateral will be shared *pari passu* in right and priority of payment with certain other creditors in respect of the obligations of the Company and the Subsidiary Guarantor Pledgors in accordance with the amended and restated intercreditor agreement described in Schedule E (Part II) hereto (the "Intercreditor Agreement"), by and among the Company, the Subsidiary Guarantor Pledgors, the Trustee, the Security Trustee and certain other parties, to be dated as of the Closing Date. The Share Pledges and the Intercreditor Agreement are herein referred to as the "Security Documents".

The Company and each Subsidiary Guarantor understands that the Initial Purchasers propose to make an offering of the Securities on the terms and in the manner set forth herein and agrees that the Initial Purchasers may resell, subject to the conditions set forth herein, all or a portion of the Securities to purchasers ("Subsequent Purchasers") at any time after this Agreement has been executed and delivered. The Securities are to be offered and sold through the Initial Purchasers without being registered under the Securities Act of 1933, as amended (the "1933 Act"), in reliance upon exemptions therefrom. Pursuant to the terms of the Securities and the Indenture, investors that acquire Securities may only resell or otherwise transfer such Securities if such Securities are hereafter registered under the 1933 Act or if an exemption from the registration requirements of the 1933 Act is available (including the exemption afforded by Rule 144A ("Rule 144A") or Regulation S ("Regulation S")) of the rules and regulations promulgated under the 1933 Act (the "1933 Act Regulations") by the Securities and Exchange Commission (the "Commission").

The Notes are expected to be listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Company and the Subsidiary Guarantors (a) have prepared and delivered to each Initial Purchaser copies of a preliminary offering memorandum, including any documents incorporated therein by reference, dated October 11, 2010 (the "Preliminary Offering Memorandum") and (b) have prepared and will deliver to each Initial Purchaser, as promptly as possible prior to the Closing Time, copies of a final offering memorandum, including any documents incorporated therein by reference, dated the date hereof (the "Final Offering Memorandum"), each for use by such Initial Purchaser in connection with its solicitation of purchases of, or offering of, the Securities. "Offering Memorandum" means, with respect to any date or time referred to in this Agreement, the most recent offering memorandum (whether the Preliminary Offering Memorandum or the Final Offering Memorandum, as amended and supplemented at such time), including exhibits thereto, if any, and any documents incorporated therein by reference, which has been prepared and delivered by the Company to the Initial Purchasers in connection with their solicitation of purchases of, or offering of, the Securities.

**Section 1. Representations and Warranties by the Company and the Subsidiary Guarantors.**

(a) *Representations and Warranties by the Company.* The Company represents and warrants to each Initial Purchaser as of the date hereof and as of the Closing Time referred to in Section 2(b) hereof, and agrees with each Initial Purchaser, as follows:

(i) Disclosure Package and Final Offering Memorandum. As of the Applicable Time (as defined below), neither (A) the Preliminary Offering Memorandum as supplemented by the final pricing term sheet, in the form attached hereto as Schedule C (the "Pricing Supplement") and as otherwise supplemented or amended at such time, all considered together (collectively, the "Disclosure Package"), nor (B) any individual Supplemental Offering Materials (as defined below), when considered together with the Disclosure Package, included any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

"Applicable Time" means 5:30 P.M. (New York City time) on the date hereof or such other time as agreed by the Company and the Representatives.

"Supplemental Offering Materials" means any "written communication" (within the meaning of the 1933 Act and the 1933 Act Regulations) prepared by or on behalf of the Company, or used or referred to by the Company, that constitutes an offer to sell or a solicitation of an offer to buy the Securities other than the Preliminary Offering Memorandum or the Final Offering Memorandum or amendments or supplements thereto (including the Pricing Supplement), including, without limitation, any road show relating to the Securities that constitutes such a written communication.

As of its issue date and as of the Closing Time, the Final Offering Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The representations and warranties in this subsection shall not apply to statements in or omissions from the Disclosure Package or the Final Offering Memorandum made in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through the Representatives expressly for use therein, it being understood and agreed that the only such information is that described as such in Section 7(a) hereof.

(ii) Independent Accountants. The accountants who certified the financial statements and supporting schedules included in the Disclosure Package and the Final Offering Memorandum are independent public accountants within the meaning of the 1933 Act and as required under Canadian securities laws and there have not been any disagreements within the meaning of National Instrument 51-102 – Continuous Disclosure Obligations since January 1, 2004 with any present or former auditors of the Company.

(iii) Financial Statements. The financial statements, together with the related schedules and notes, included or incorporated by reference in the Disclosure Package and the Final Offering Memorandum, present fairly the financial position of the Company and its consolidated Subsidiaries (as defined below) at the dates indicated and the statement of operations, shareholders' equity, earnings and cash flows of the Company and its consolidated Subsidiaries for the periods specified; said financial statements have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP") applied on a consistent basis throughout the periods involved. The selected financial data and the summary financial information included in the Disclosure Package and the Final Offering Memorandum present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included in the Disclosure Package and the Final Offering Memorandum. The other financial and operational information included in the Disclosure Package and the Final Offering Memorandum present fairly information included therein.

All disclosure contained in the Disclosure Package and the Final Offering Memorandum regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) complies with Regulation G under the Securities Exchange Act of 1934, as amended (the "1934 Act").

The disclosure contained in the section headed "Summary of Certain Differences Between Canadian GAAP and U.S. GAAP" in the Disclosure Package and the Final Offering Memorandum which summarizes certain significant differences between Canadian GAAP and



U.S. GAAP is a correct and accurate summary of such significant differences and reflects the material differences between Canadian GAAP and U.S. GAAP, as they would apply to the Company.

(iv) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Disclosure Package and the Final Offering Memorandum, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, operations, assets, properties, prospects, liabilities (contingent or otherwise), obligations (absolute, accrued or otherwise), capital or business affairs of the Company and its Subsidiaries considered as one enterprise (the "Condition of the Company"), whether or not arising in the ordinary course of business (such change, a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its Subsidiaries which are material with respect to the Company and its Subsidiaries considered as one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock. Neither the Company nor any of its Subsidiaries has sustained since the date of the latest financial statements included in the Disclosure Package and the Final Offering Memorandum any material loss or interference with its business from fire, earthquake, flood, explosion or other calamity, whether or not covered by insurance, otherwise than as set forth in the Disclosure Package and the Final Offering Memorandum.

(v) Incorporation and Good Standing of the Company. The Company is a corporation duly organized, validly existing and in good standing under the laws of Canada, with corporate power and authority to own, lease and operate its properties and to conduct its business as presently conducted and as described in the Disclosure Package and the Final Offering Memorandum; and the Company is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or the ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or to be in good standing, considering all such cases in the aggregate, would not cause a Material Adverse Effect.

(vi) List of Subsidiaries. All of the Subsidiaries of the Company, except those specifically excluded below, are listed in Schedule D-2 attached hereto; all of the Company's Subsidiaries other than those listed on Schedule D-3 are Subsidiary Guarantors, there is no other company or undertaking in which any of the Company or its Subsidiaries directly or indirectly owns or controls or proposes to own or control a majority interest (whether by way of shareholding, trust arrangement or otherwise).

For purposes of this Agreement, "Subsidiary" means: (A) 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; (B) any partnership of which the Company, or one or more of its Subsidiaries, or the Company and one or more of its Subsidiaries: (1) directly, indirectly or beneficially owns or controls more than 50% of the income, capital, beneficial or ownership interest (however designated) thereof; and (2) 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 (C) 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 WFOEs (as defined below) and the Sino-foreign equity joint venture company and each of the additional entities identified in Schedule D-2 but excludes Sino-Panel Corporation (Canada), Sinowood Holdings Limited, Sinowood Finance Limited, Khan Forestry Inc. and Max Gain Development Limited, which have no or minimal assets or liabilities, are not engaged in any operation and are currently considered inactive.

Additionally, for purposes of this Agreement, the "Mandra Group" means Mandra Forestry Holdings Limited and its Subsidiaries, and the "Omnicorp Group" means Omnicorp Limited and its Subsidiaries.

(vii) Incorporation and Good Standing of Subsidiaries. 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 Disclosure Package and the Final Offering Memorandum 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.

(viii) Corporate Authority. The Company has the corporate right, power and authority to execute and deliver this Agreement, the Notes, the Security Documents to which it is a party and the Indenture (collectively, the "Transaction Documents") and to perform its obligations hereunder and thereunder; and all action required to be taken for the due and proper authorization, execution and delivery of each of the Transaction Documents and the consummation of the transactions contemplated thereby has been duly and validly taken.

(ix) Capitalization. The Company has an authorized capitalization as set forth under the headings "Consolidated Capitalization" in the Disclosure Package and the Final Offering Memorandum. All the issued and outstanding shares of capital stock of the Company and each of its Subsidiaries (except that with respect to both of the Mandra Group and the Omnicorp Group, to the best knowledge of the Company) have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of capital stock of the Subsidiaries are owned by the Company either directly or indirectly free and clear of any security interest, claim, lien or encumbrance other than as set forth in the Disclosure Package and the Final Offering Memorandum; none of the outstanding shares of capital stock of any Subsidiary of the Company (except that with respect to both of the Mandra Group and the Omnicorp Group, to the best knowledge of the Company) was issued in violation of the preemptive or other similar rights of any security holder of each respective entity other than as set forth in the Disclosure Package and the Final Offering Memorandum.

(x) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Company.

(xi) Authorization of the Indenture. The Indenture has been duly authorized by the Company and, when executed and delivered by the Company and the Trustee, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as

enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(xii) Authorization of the Intercreditor Agreement. The Intercreditor Agreement has been duly authorized by the Company and, when executed and delivered by the Company and the other parties thereto, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(xiii) Authorization of Notes. The Notes have been duly authorized and, at the Closing Time, will have been duly executed by the Company and, when authenticated, issued and delivered in the manner provided for in the Indenture and delivered against payment of the purchase price therefor as provided in this Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers) reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law), and will be in the form contemplated by, and entitled to the benefits of, the Indenture.

(xiv) Authorization of the Share Pledges. Each of the Share Pledges to which the Company is a party has been duly authorized by the Company and, when duly executed and delivered by the Company and each of the other parties in accordance with its terms, will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, fraudulent conveyance, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability. After the execution and delivery thereof, the Share Pledges to which the Company is a party will create in favor of the Security Trustee, for the benefit of the holders of the Securities and the other creditors secured thereunder, a valid and enforceable perfected first priority security interest in the relevant Collateral (subject to the completion of the recordings, notations and filings in New York, Hong Kong, Ontario, the British Virgin Islands, the Cayman Islands and Barbados, as set forth on Schedule F hereto), to be shared on a *pari passu* basis with certain other secured creditors under the Intercreditor Agreement.

(xv) Creation, Enforceability and Perfection of Security Interests. The Company under each Share Pledge to which it is a party beneficially owns the relevant Collateral covered by such Share Pledge, free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim. All filings and other actions necessary or desirable to perfect and protect the security interest in such Collateral to be created (or purported to be created) under such Share Pledges have been or will be, at or prior to the Closing Date, duly made or taken and are or will be, at or prior to the Closing Date, in full force and effect (other than the completion of the recordings, notations and filings in New York, Hong Kong, Ontario, the British Virgin Islands, the Cayman Islands and Barbados, as set forth on Schedule F hereto).

(xvi) Descriptions of Transaction Documents. The description of the Notes, the Subsidiary Guarantees, the Indenture and the Security Documents contained in the Disclosure Package and the Final Offering Memorandum are accurate in all material respects.

(xvii) Absence of Violations, Defaults and Conflicts. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, neither the Company nor any of its Subsidiaries is, or with the giving of notice or lapse of time or both would be, (A) in violation of any provision of laws, statutes, rule or regulation or its charter, articles of continuance, by-laws, business license, business permit or other constitutional documents, or any judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations or (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of the property or assets of the Company or any of its Subsidiaries is subject (collectively, "Agreements and Instruments") except, in each case, for such violations or defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of the Transaction Documents and any other agreement or instrument entered into or issued or to be entered into or issued by the Company in connection with the transactions contemplated hereby or thereby or in the Disclosure Package and the Final Offering Memorandum and the consummation of the transactions contemplated herein and in the Disclosure Package and the Final Offering Memorandum (including the issuance and sale of the Securities and the use of the proceeds from the sale of the Securities as described in the Disclosure Package and the Final Offering Memorandum under the caption "Use of Proceeds") and compliance by the Company with its obligations hereunder or thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its Subsidiaries pursuant to, the Agreements and Instruments, nor will such action result in any violation of the provisions of the charter, articles of continuance, by-laws, business license, business permit or other constitutional documents of the Company or any of its Subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its Subsidiaries or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any of its Subsidiaries.

(xviii) Absence of Labor Dispute. No labor dispute with the employees of the Company or any of its Subsidiaries exists or, to the best knowledge 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.

(xix) Absence of Proceedings. There is no action, suit or proceeding before or by the Commission or any other federal, state, local or foreign governmental or regulatory authorities or any court, including without limitation, the Ontario Securities Commission (each an "Other Agency" and collectively, the "Other Agencies"), which has been served upon the Company or any of its Subsidiaries that is now pending or, to the best knowledge of the Company, threatened,

against or affecting the Company or any of its Subsidiaries which might result in a Material Adverse Effect, or which might materially and adversely affect the consummation of the transactions contemplated by this Agreement or the performance by the Company or any Subsidiary Guarantor of its obligations hereunder. The aggregate of all pending legal or governmental proceedings to which the Company or any of its Subsidiaries is a party or of which any of their respective property or assets is the subject which are not described in the Disclosure Package and the Final Offering Memorandum, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xx) Absence of Manipulation. Neither the Company nor to its knowledge any affiliate, as such term is defined in Rule 501(b) under the 1933 Act ("Affiliate"), of the Company has taken, nor will the Company or any Affiliate of the Company take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xxi) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by the Transaction Documents or for the due execution, delivery or performance of the Transaction Documents by the Company, except such as have been already obtained, except for the approval in-principle of the SGX-ST for the listing of the Notes on the SGX-ST for a listing of up to US\$600,000,000 and, if Securities are sold by any Initial Purchaser to residents of Canada, the delivery of the Final Offering Memorandum and the filing of a Form 45-106F1 with the applicable Canadian securities regulatory authorities.

(xxii) Possession of Intellectual Property. The Company and its Subsidiaries own or possess or can acquire on reasonable terms sufficient trademarks, trade names, patent rights, copyrights, licenses, approvals, trade secrets and other similar rights (collectively, the "Intellectual Property Rights") reasonably necessary to conduct their businesses as now conducted; neither the Company nor any of its Subsidiaries has received any notice of or is otherwise aware of infringement or conflict with asserted Intellectual Property Rights of others.

(xxiii) Possession of Licenses and Permits. 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 Disclosure Package and the Final Offering Memorandum, except for Government Authorizations the failure of which to obtain would not, singly or in the aggregate, result in a Material Adverse Effect; 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 except, in each case, for such violations that would not result in a Material Adverse Effect.

(xxiv) Title to Property. 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 except for the mortgages, liens, pledges or other security interests relating to the bank borrowings and other indebtedness by the Company disclosed in the Disclosure Package and the Final Offering Memorandum; 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 Disclosure Package and the Final Offering Memorandum.

With respect to any of the tree plantations owned, leased or otherwise operated by the Subsidiaries of the Company, each such Subsidiary has obtained or is in the process of applying for the plantation rights certificates, its equivalents or other relevant approvals for its legal titles to the plantation land use or other relevant plantation or concession rights, as applicable, that are required or otherwise necessary under the People's Republic of China (the "PRC") or Suriname laws and regulations in order for such Subsidiary to own, lease or operate such plantation and conduct its wood fiber businesses in the manner described in, and contemplated by, the Disclosure Package and the Final Offering Memorandum except for any rights the failure of which to obtain would not result in a Material Adverse Effect; with respect to any of the plants, buildings or other structures owned by any of the Company's Subsidiaries, such Subsidiary has valid land use right certificates, building ownership certificates or other relevant title documents, and the construction, development, occupation and use of such plant, building or structure complies in all material respects with all the applicable laws and regulations except such as would not, singly or in the aggregate, result in a Material Adverse Effect.

(xxv) PRC Plantation Business. The relevant PRC Subsidiaries (as defined herein) have duly obtained or are in the process of applying for the relevant plantation rights certificates, its equivalents or other relevant approvals for their legal titles to the plantation land use rights and the planted tree plantations. The relevant PRC Subsidiaries' planted plantations under management were approximately 77,900 hectares as of June 30, 2010.

Each of the Company and its Subsidiaries has the right to conduct business in the PRC in the manner as presently conducted and as described in the Disclosure Package and the Final Offering Memorandum, and has obtained or are in the process of applying for the relevant plantation rights certificates, its equivalents or other relevant approvals for their legal titles to the right to own the purchased tree plantations (as set forth in the Disclosure Package and the Final Offering Memorandum) and has or will have the right to log, transport, and sell the purchased tree plantations in accordance with the PRC laws and regulations.

(xxvi) Environmental Laws. The Company and its Subsidiaries (A) 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"), (B) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (C) 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.

(xxvii) Hazardous Substances. 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 material cost, damage or other liability, including the diminution in value of any property, or may have a Material Adverse Effect.

(xxviii) Environmental Liabilities. 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.

(xxix) Disclosure of Legal Matters. The statements set forth in the Disclosure Package and the Final Offering Memorandum (A) under the sections headed "Description of the Notes", insofar as they purport to constitute a summary of the terms of the Notes and the Subsidiary Guarantees are accurate and fair in all material respects; and (B) under the captions "Risk Factors", "Certain Financial Information", "Business", "PRC Forestry Industry Overview", "Government Regulation", "Description of Other Indebtedness", "Related Party Transactions", "Taxation", and "Plan of Distribution", insofar as they purport to describe the provisions of the laws and documents referred to therein, constitute a fair and accurate summary of such laws and documents.

(xxx) Material Contracts. Each of (A) the documents listed under "Material Contracts" in the Company's annual information form dated March 31, 2010, (B) the master agreements or other contracts entered into by the Subsidiaries of the Company relating to the purchase of the rights to the trees on particular plantation land with or without a preemptive right to lease such plantation land, (C) the long-term lease agreements entered into by any of the Company's Subsidiaries for tree plantations as disclosed in the Disclosure Package and the Final Offering Memorandum, (D) the share purchase or other investment agreements entered into by the Company and any of its Subsidiaries, and (E) any other contracts or arrangements between any of either the Company or the Company's Subsidiaries and an authorized intermediary regarding the sales of standing timber, has been duly authorized, executed and delivered by the Company or the relevant Subsidiaries of the Company, as the case may be, 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. The Company has no knowledge of the invalidity of or grounds for rescission, avoidance or repudiation of any such material contract and none of the Company or its Subsidiaries has received notice of any intention to terminate any such contract or agreement or repudiate or disclaim any such transaction. All descriptions of material contracts or documents in the Disclosure Package and the Final Offering Memorandum, to the extent such descriptions purport to describe or summarize such contracts or documents, are true and accurate in all material respects, fairly summarize the contents of such contracts or documents and do not omit any material information which affects the import of such descriptions. To the best knowledge of the Company, there are no contracts or documents that would be required to be described in the Disclosure Package and Final Offering Memorandum under the United States Securities laws if such laws and rules were applicable with respect to the Disclosure Package and Final Offering

Memorandum, or that would be required to be described under any applicable laws that have not been so described.

(xxx1) Accounting Controls. The Company and each of its Subsidiaries maintains a system of internal controls sufficient to provide reasonable assurances that (A) transactions are executed in accordance with management's general or specific authorization; (B) transactions are recorded as necessary to permit the financial statements to be fairly presented in accordance with Canadian GAAP and to maintain accountability for assets; (C) access to its assets is permitted only in accordance with management's general or specific authorization; (D) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to differences; (E) the Company and each of its Subsidiaries have made and kept books, records and accounts, which in reasonable details, accurately and fairly reflect in all material respects the transactions and dispositions of assets of such entity; (F) 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. The Company has established procedures which provide a reasonable basis for its board of directors to make proper judgment as to the financial position and prospects of the Company and its Subsidiaries, taken as one enterprise. Since the end of the Company's most recent audited fiscal year, there has been (x) no material weakness in the Company's internal control over financial reporting (whether or not remediated), except as set forth in the Disclosure Package and the Final Offering Memorandum, and (y) no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and 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. The Company has not publicly disclosed or reported to the audit committee or the board, and within the next 90 days the Company does not reasonably expect to publicly disclose or report to the audit committee or the board, a significant deficiency, material weakness, change in internal controls or fraud involving management or other employees who have a significant role in internal controls (each, an "Internal Control Event"), any violation of, or failure to comply with, relevant the securities laws, or any matter which, if determined adversely, would have a Material Adverse Effect.

Except as set forth in the Disclosure Package and the Final Offering Memorandum, the audit committee is not reviewing or investigating, and the Company's independent auditors have not recommended that the audit committee review or investigate, (a) adding to, deleting, changing the application of, or changing the Company's disclosure with respect to, any of the Company's material accounting policies; (b) any matter which could result in a restatement of the Company's financial statements for any annual or interim period during the current or prior three fiscal years; or (c) any Internal Control Event.

(xxxii) Accounting Policies, Liquidity and Capital Resources. The section entitled "Certain Financial Information—Critical Accounting Estimates" in the Disclosure Package and the Final Offering Memorandum accurately and fairly describes in all material respects (A) accounting policies which the Company believes are the most important in the portrayal of the financial condition and results of operations for the Company and its consolidated Subsidiaries



and which require management's most difficult, subjective or complex judgments ("critical accounting policies"); and (B) judgments and uncertainties affecting the application of critical accounting policies. The section entitled "Certain Financial Information —Liquidity and Capital Resources" in the Disclosure Package and the Final Offering Memorandum accurately and fairly describes in all material respects (x) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Company believes would materially affect its liquidity and are reasonably likely to occur; and (y) all off-balance sheet arrangements, if any, that have or are reasonably likely to have a current or future effect on the financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources of the Company and the Subsidiaries taken as a whole. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, there are no outstanding guarantees or other contingent obligations of the Company or any Subsidiary that could reasonably be expected to have a Material Adverse Effect.

(xxxiii) Insurance. The Company and its Subsidiaries carry or are entitled to the benefits of insurance, with to the best knowledge of the Company, financially sound and reputable insurers, in such amounts and covering such risks as is generally maintained by companies of established repute engaged in the same or similar business, and all such insurance is in full force and effect. The Company has no reason to believe that it or any of its Subsidiaries will not be able (A) to renew its existing insurance coverage as and when such policies expire or (B) to obtain comparable coverage from similar institutions as may be necessary or appropriate to conduct its business as now conducted and at a cost that would not result in a Material Adverse Effect.

(xxxiv) Statistical and Market-Related Data. Any statistical and market-related data included in the Disclosure Package and the Final Offering Memorandum are based on or derived from sources that the Company believes to be reliable and accurate, and, to the extent required or otherwise necessary, the Company has obtained the written consent or other consent in requisite form to the use of such data from such sources.

(xxxv) Investment Company Act. The Company is not required, and after giving effect to the issuance and sale of the offered Securities and the application of the net proceeds therefrom as described in the Disclosure Package and the Final Offering Memorandum under "Use of Proceeds," will not be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xxxvi) Similar Offerings. Neither the Company nor any of its Affiliates has, directly or indirectly, solicited any offer to buy, sold or offered to sell or otherwise negotiated in respect of, or will solicit any offer to buy, sell or offer to sell or otherwise negotiate in respect of, in the United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Securities in a manner that would require the offered Securities to be registered under the 1933 Act.

(xxxvii) Rule 144A Eligibility. The Securities are eligible for resale pursuant to Rule 144A and will not be, at the Closing Time, of the same class as securities listed on a national securities exchange registered under Section 6 of the 1934 Act, or quoted in a U.S. automated interdealer quotation system.

(xxxviii) No General Solicitation. None of the Company, its Affiliates or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has engaged or will engage, in connection with the offering of the

offered Securities, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

(xxxix) No Registration Required. Subject to compliance by the Initial Purchasers with the representations and warranties of the Initial Purchasers and the procedures set forth in Section 6 hereof, it is not necessary in connection with the offer, sale and delivery of the offered Securities to the Initial Purchasers and to each Subsequent Purchaser in the manner contemplated by this Agreement and the Offering Memorandum to register the Securities under the 1933 Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act").

(xl) No Directed Selling Efforts. With respect to those offered Securities sold in reliance on Regulation S, (A) none of the Company, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (B) each of the Company and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Company makes no representation) has complied and will comply with any applicable offering restrictions requirement of Regulation S.

(xli) Foreign Issuer. The Company is a "foreign issuer" within the meaning of Rule 902 under the 1993 Act.

(xlii) No Finders. Other than pursuant to this Agreement, there are no contracts, agreements or understandings between the Company or any of its Subsidiaries and any person that would give rise to a valid claim against the Company, any of its Subsidiaries or the Initial Purchasers for a brokerage commission, finder's fee or other like payment in connection with the issuance and sale of the Securities.

(xlili) No Stop Order. No stop order, restraining order or denial of an application for approval has been issued and no investigation, proceeding or litigation has been commenced or, to the best knowledge of the Company, contemplated before the Commission or any Other Agency with respect to the offer, issuance, sale, delivery or resale of the Securities, the consummation of the other transactions contemplated by this Agreement, the Transaction Documents or the Disclosure Package and the Final Offering Memorandum.

(xliv) Anti-Corruption Practices. The Company and its Subsidiaries have not, and to the best knowledge 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, (A) making an offer, payment or promise to pay or (B) 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.

(xiv) Anti-Money Laundering. Each of the Company, its Subsidiaries, its affiliates and, to the best knowledge of the Company, any of their respective officers, directors, supervisors, managers, agents, or employees has not violated, its participation in the offering will not violate, and it has instituted and maintains policies and procedures designed to ensure continued compliance each of the following laws: (A) anti-money laundering laws, including but not limited to, applicable federal, state, international, foreign or other laws, regulations or government guidance regarding anti-money laundering, including, without limitation, Title 18 U.S. Code section 1956 and 1957, the Patriot Act, the Bank Secrecy Act, and international anti-money laundering principals or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur, all as amended, and any Executive order, directive, or regulation pursuant to the authority of any of the foregoing, or any orders or licenses issued thereunder or (B) laws and regulations imposing U.S. economic sanctions measures, including, but not limited to, the International Emergency Economic Powers Act, the Trading with the Enemy Act, the United Nations Participation Act, and the Syria Accountability and Lebanese Sovereignty Act, all as amended, and any Executive Order, directive, or regulation pursuant to the authority of any of the foregoing, including the regulations of the United States Treasury Department set forth under 31 CFR, Subtitle B, Chapter V, as amended, or any orders or licenses issued thereunder.

(xlv) OFAC. Neither the Company or any of its Subsidiaries nor, to the best knowledge 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 sanctions administered by (A) the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC") (including but not limited to the designation as a "specially designated national or blocked person" thereunder) in the U.S., (B) Her Majesty's Treasury in the United Kingdom or (C) any other relevant authority in the European Union; 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 sanctions administered by (1) OFAC (including but not limited to the designation as a "specially designated national or blocked person" thereunder) in the U.S., (2) Her Majesty's Treasury in the United Kingdom or (3) any other relevant authority in the European Union.

(xlvii) Related Party Transactions. The statements set forth in the Disclosure Package and the Final Offering Memorandum under the captions "Related Party Transactions" and "Certain Financial Information — Related Party Transactions" are true and accurate in all material respects and there are no other facts known or which could on reasonable enquiry have been known to the Company, the omission of which would make any such statements misleading in any material respect. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, 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 Disclosure Package and the Final Offering Memorandum.

(xlviii) Reporting Issuer Status and Listing of Shares. The Company is a reporting issuer within the meaning of applicable Canadian securities laws in each of the provinces of Canada,

and is not in default of any requirement of such securities laws, and has not been noted in default of any requirement of such securities laws by any applicable Canadian securities regulatory authority, except in each case for such defaults as would have a Material Adverse Effect. The outstanding common shares of the Company (the "Common Shares") are listed on the Toronto Stock Exchange ("TSX") and the Company is in compliance with all requirements of the TSX. The Company has taken no action designed to, or likely to have the effect of, (A) delisting the Common Shares from the TSX nor is the TSX contemplating terminating such listing, or (B) ceasing to be a reporting issuer in any province, nor has the Company received any notification from any applicable Canadian securities regulatory authority seeking to revoke the reporting issuer status of the Company.

(xlix) Solvency. The Company and each Subsidiary Guarantor is, and immediately after the Closing Time and immediately upon consummation of the transactions contemplated herein and in the Offering Memorandum will be, Solvent. As used herein, the term "Solvent" means, with respect to an entity, on a particular date, that on such date (A) the book value of the assets of such entity is greater than or equal to the total amount of liabilities (including contingent liabilities) of such entity, (B) the value of the assets of the entity is greater than the amount that will be required to pay the probable liabilities of such entity on its debt as they become absolute and mature, (C) the entity is able to realize upon its assets and pay its debts and other liabilities (including contingent obligations) as they mature, and (D) the entity does not have unreasonably small capital. Except such as would not result in a Material Adverse Effect, no winding up or liquidation proceedings have been commenced against the Company or any of its Subsidiaries and no proceedings have been started or, to the best knowledge of the Company, threatened for the purpose of, and no judgment has been rendered, declaring the Company or any of its Subsidiaries bankrupt or in any insolvency proceeding, or for any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, trustee, administrator or similar officer of any of the Company and its Subsidiaries, or any of their respective properties, revenues or assets.

(l) Establishment of PRC Subsidiaries. Each of the Company's Subsidiaries in the PRC has been duly established as a wholly foreign owned enterprises (each, a "WFOE" and, collectively the "WFOEs") or a Sino-foreign equity joint venture company (together with the WFOEs, the "FIEs") or a PRC limited company invested by a WFOE (together with the FIEs, the "PRC Subsidiaries") in compliance with applicable PRC laws and regulations.

(li) Registered Capital of PRC Subsidiaries. Except for Sino-Panel (Fujian) Co., Ltd., Heilongjiang Jialin Trading Co., Ltd., Sino-Panel (Guangzhou) Nursery Co., Limited., Sino-Global (Guangzhou) Forestry Management Consulting Inc., and Sino-Panel (Hunan) Development Co., Ltd. whose registered capital shall be subscribed in instalments in accordance with their respective government approvals and Huanggang Mandra Forestry Limited whose registered capital will be reduced to even the partially paid-in registered capital after going through the relevant governmental approval and registration procedures, the registered capital of each of the PRC Subsidiaries has been subscribed in full and all government approvals relating to the subscription thereof have been issued and are in full force and effect; the Company will pay or cause to be paid in full the unpaid registered capital of Sino-Panel (Fujian) Co., Ltd., Heilongjiang Jialin Trading Co., Ltd., Sino-Panel (Guangzhou) Nursery Co., Limited., Sino-Global (Guangzhou) Forestry Management Consulting Inc., and Sino-Panel (Hunan) Development Co., Ltd. in due course in accordance with PRC laws and regulations.

(iii) Ownership Structure of PRC Subsidiaries. The ownership structure of the PRC Subsidiaries as described in the Disclosure Package and the Final Offering Memorandum is in compliance with any applicable laws and regulations in the PRC.

(liii) Articles of Association of PRC Subsidiaries. The articles of association of each of the PRC Subsidiaries comply with the requirements of applicable laws of the PRC, and are in full force and effect.

(liv) Dividends by PRC Subsidiaries. Subject to compliance with the requisite procedures under the PRC laws and regulations, each FIE 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.

(lv) Shareholder Loans to PRC Subsidiaries. Except for Sino-Panel (Fujian) Co., Ltd., Heilongjiang Jialin Trading Co., Ltd., Sino-Panel (Guangzhou) Nursery Co., Limited., Sino-Global (Guangzhou) Forestry Management Consulting Inc., and Sino-Panel (Hunan) Development Co., Ltd. whose registered capital shall be subscribed in instalments in accordance with their respective government approvals and Huanggang Mandra Forestry Limited whose registered capital will be reduced to even the partially paid-in registered capital after going through the relevant governmental approval and registration procedures, each of the WFOEs has full power and authority to borrow loans from its foreign shareholder ("shareholder loans") as contemplated and described in the Disclosure Package and the Final Offering Memorandum. Except for those disclosed in the Disclosure Package and the Final Offering Memorandum, no other 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 are required for any FIE to borrow shareholder loans. Each of the FIEs will be able to repay such shareholder loans in, and remit to outside the PRC, United States dollars, except for the withholding tax required under the PRC Enterprise Income Tax Law, enacted on March 16, 2007 and effective on January 1, 2008 and its Implementation Rules issued on December 6, 2007 and effective on January 1, 2008, of the PRC and other exceptions, in each case, as disclosed in the Disclosure Package and the Final Offering Memorandum, 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.

(lvi) Foreign Exchange Registration. Each of the FIEs has obtained all necessary foreign exchange registration certificates from the relevant local branches of the State Administration of Foreign Exchange and has passed foreign exchange annual inspections, except for those the absence of which would not result in a Material Adverse Effect. No other governmental registration, authorization or filing with any governmental authority is required in the PRC in respect of the ownership by the Company of its direct or indirect equity interest in any PRC Subsidiary, except for those that have already been obtained or those the absence of which would not result in a Material Adverse Effect.

(lvii) Prohibition on Dividends. No wholly-owned Subsidiary of the Company is currently prohibited, directly or indirectly, under any agreement or other instrument to which it is a party or is subject, from paying any dividends to the Company, from making any other distribution on such Subsidiary's capital stock, from repaying to the Company any loans or advances to such Subsidiary from the Company or from transferring any of such Subsidiary's

properties or assets to the Company or any other wholly-owned Subsidiary upon the requisite approval procedures for such transferring, except for Sino-Panel (Fujian) Co., Ltd., Heilongjiang Jialin Trading Co., Ltd., Sino-Panel (Guangzhou) Nursery Co., Limited., Sino-Global (Guangzhou) Forestry Management Consulting Inc., and Sino-Panel (Hunan) Development Co., Ltd., whose registered capital has been partially paid up or has not been paid up and Huanggang Mandra Forestry Limited whose registered capital will be reduced to even the partially paid-in registered capital after going through the relevant governmental approval and registration procedures, the dividend payments and remittances for which shall be made in proportion to the paid-up contribution of its registered capital, and except as otherwise described in the Disclosure Package and the Final Offering Memorandum.

(lviii) Absence of Off-Balance Sheet Transactions. Except as disclosed in the financial statements referred to in the above Section 1(a)(iii) and in the Disclosure Package and the Final Offering Memorandum, 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.

(lix) Absence of Contingent Liabilities. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, 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 the above Section 1(a)(iii), which would result in a Material Adverse Effect.

(lx) Immunity. None of the Company, the Company's Subsidiaries or any of the Company's or its Subsidiaries' properties, assets or revenues are entitled to any right of immunity in any jurisdiction on the grounds of sovereignty from any legal action, suit or proceedings, from set-off or counterclaim, from the jurisdiction of any court, from services of process, from attachment prior to or in aid of execution of judgment, or from other legal process or proceedings for the giving of any relief or for the enforcement of any judgment.

(lxi) Tax Returns. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, the Company and each of its Subsidiaries has, on a timely basis, filed all necessary tax returns and notices and has paid or made adequate 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 in accordance with generally accepted accounting principles of the jurisdiction in which the relevant entity is incorporated or organized; except as disclosed in the Disclosure Package and the Final Offering Memorandum, 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.

(lxii) No Tax or Duty. Except as disclosed in the Disclosure Package and the Final Offering Memorandum, no tax or duty (including any stamp or other issuance or transfer tax or duty and any tax or duty on capital gains or income (excluding any tax on capital gains or income imposed by the United States, any State thereof, or the District of Columbia), whether chargeable on a withholding basis or otherwise) is payable by or on behalf of any Initial Purchaser under the laws of Canada, Hong Kong, the PRC, the British Virgin Islands, Barbados, the Cayman Islands or the United States, or of any political subdivision, department or agency thereof, in connection

with (A) the issuance of the Securities, (B) the sale and delivery by the Company of the Securities to such Initial Purchaser in the manner contemplated herein, (C) the resale and delivery of the Securities by such Initial Purchaser in the manner contemplated in the Disclosure Package and the Final Offering Memorandum or (D) the consummation of any other transaction contemplated in this Agreement or the Indenture; provided that (1) such Initial Purchaser is a non-resident of Canada who does not use or hold, and is not deemed to use or hold, the Securities or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (2) in the case that the Initial Purchaser carries on an insurance business in Canada and elsewhere, this Agreement and the Securities are not "designated insurance property" in respect of such Initial Purchaser; and (3) such Initial Purchaser does not carry on a trade or business in Hong Kong and does not purchase or hold the Securities as part of such trade or business carried on in Hong Kong.

(lxiii) No Withholding Tax. All interest, principal, premium, if any, and other payments due under or made on the Securities may under the current laws and regulations of Canada, Hong Kong, the British Virgin Islands, Barbados, the Cayman Islands and the PRC be paid to the holders of the Securities, and all interest, principal, premium or other payment due under or made on the Securities will not be subject to withholding or other similar taxes under the laws and regulations of Canada, Hong Kong, the British Virgin Islands, Barbados the Cayman Islands or the PRC and are otherwise free and clear of any other tax, withholding or deduction in Canada, Hong Kong, the British Virgin Islands, Barbados, the Cayman Islands and the PRC without necessity of obtaining any consents, approvals, authorizations, orders, registrations, clearances or qualifications of or with any governmental agency or body having jurisdiction over the Company or any of its Subsidiaries or any of their respective properties in Canada, Hong Kong, the British Virgin Islands, Barbados, the Cayman Islands or the PRC.

(lxiv) Validity under the Laws of Company Jurisdictions. It is not necessary under the laws of Canada, New York, Hong Kong, the British Virgin Islands, the Cayman Islands, Barbados (collectively, the "Company Jurisdictions") or any political subdivision thereof or authority or agency therein in order to enable a Subsequent Purchaser of Notes or an owner of any interest therein to enforce its rights under the Notes or to enable any Initial Purchaser to enforce its rights under any of this Agreement, the Indenture, the Security Documents or the Notes that it should, as a result solely of its holding of Notes be licensed, qualified, or otherwise entitled to carry on business in the Company Jurisdictions or any political subdivision thereof or authority or agency therein; each of this Agreement, the Indenture, the Security Documents and the Notes is in proper legal form under the laws of the Company Jurisdictions and any political subdivision thereof or authority or agency therein for the enforcement thereof against the Company therein; and it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of this Agreement, the Indenture, the Security Documents or the Notes in the Company Jurisdictions or any political subdivision thereof or agency therein that any of them be filed or recorded with any court, authority or agency in any court, authority or agency of the Company Jurisdictions or any political subdivision thereof.

(lxv) Effect of Choice of Law Provision. Under the laws of the Province of Ontario, the courts of such province (an "Ontario Court") will recognize and give effect to the choice of law provisions set forth in Section 16 and Section 17 hereof and enforce judgments of any New York Court (as defined in Section 17) obtained against the Company or any Subsidiary Guarantor to enforce this Agreement, provided that (A) the parties' choice of New York law is bona fide and legal and there is no reason for avoiding the choice of law on the grounds of public policy under the laws of the Province of Ontario; and (B) in any such proceeding, and notwithstanding the parties' choice of law, the Ontario Court: (1) will not take judicial notice of the provisions of New

York law but will only apply such provisions if they are pleaded and proven to its satisfaction by expert testimony; (2) will apply the laws of the Province of Ontario and the federal laws of Canada applicable therein (collectively, "Ontario Law") that under Ontario Law would be characterized as procedural and will not apply any New York law that under Ontario Law would be characterized as procedural; (3) will apply provisions of Ontario Law that have overriding effect; (4) will not apply any New York law if such application would be characterized under Ontario Law as a direct or indirect enforcement of a foreign revenue, expropriatory, penal or other public law or if its application would be contrary to public policy under Ontario Law; and (5) will not enforce the performance of any obligation that is illegal under the laws of any jurisdiction in which the obligation is to be performed hereof). Under the laws of the PRC, the choice of law provisions set forth in Section 16 hereof will be recognized by the courts of the PRC and any judgment obtained in any New York Court arising out of or in relation to the obligations of the Company under this Agreement will be recognized in PRC courts subject to the applicable provisions of the Civil Procedure Law of the PRC relating to the enforceability of foreign judgments.

(ixvi) Effect of Submission to Jurisdiction Provision. Each of the Company and the Subsidiary Guarantors has the power to submit, and pursuant to Section 17 of this Agreement and the terms of the Indenture, has legally, validly, effectively and irrevocably submitted, to the jurisdiction of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York, and has the power to designate, appoint and empower, and pursuant to Section 17 of this Agreement and the terms of the Indenture, has legally, validly and effectively designated, appointed and empowered an agent for service of process in any suit or proceeding based on or arising under this Agreement, the Indenture or the Securities, as the case may be, in any New York Court.

(ixvii) SGX-ST. Application to the SGX-ST for the listing of the Notes on the SGX-ST has been made.

(b) Representations and Warranties by the Company and the Subsidiary Guarantors. Each Subsidiary Guarantor and the Company jointly and severally represents and warrants to each Initial Purchaser as of the date hereof and as of the Closing Time referred to in Section 2(b) hereof and agrees with each Initial Purchaser, with respect to such Subsidiary Guarantor (or Subsidiary Guarantor Pledgor, as the case may be) and its Subsidiary Guarantee, as follows:

(i) Incorporation and Good Standing of Subsidiary Guarantor. The Subsidiary Guarantor 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 Disclosure Package and the Final Offering Memorandum 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 cause a Material Adverse Effect.

(ii) Corporate Authority. The Subsidiary Guarantor has corporate right, power and authority to execute and deliver this Agreement, the Subsidiary Guarantee, the Security Documents to which it is a party and the Indenture and to perform its obligations hereunder and thereunder; and all action required to be taken by the Subsidiary Guarantor for the due and proper authorization, execution and delivery of each of this Agreement, the Subsidiary Guarantee, the



Security Documents to which it is a party and the Indenture and the consummation of the transactions contemplated hereby and thereby has been duly and validly taken.

(iii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by the Subsidiary Guarantor.

(iv) Absence of Violations, Defaults and Conflicts. The Subsidiary Guarantor is not, or with the giving of notice or lapse of the time or both would not be, (A) in violation of any provision of law, statute, rule or regulation or its charter, articles of incorporation, by-laws, business license, business permit or other constitutional documents or any judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Subsidiary Guarantor or any of its Subsidiaries or any of their assets, properties or operations or (B) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Subsidiary Guarantor or any of its Subsidiaries is a party or by which any of them may be bound, or to which any of the property or assets of the Subsidiary Guarantor or any of its Subsidiaries is subject (collectively, "Subsidiary Guarantor Agreements and Instruments") except, in each case, for such violations or defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of the Transaction Documents to which it is a party and any other agreement or instrument entered into or issued or to be entered into or issued by the Subsidiary Guarantor in connection with the transactions contemplated hereby or thereby or in the Disclosure Package and the Final Offering Memorandum, the consummation of the transactions contemplated herein and in the Disclosure Package and the Final Offering Memorandum and compliance by the Subsidiary Guarantor with its obligations hereunder or thereunder have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined under Section 1(a)(xvii)) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Subsidiary Guarantor or any of its Subsidiaries pursuant to, the Subsidiary Guarantor Agreements and Instruments, nor will such action result in any violation of the provisions of the charter, articles of incorporation, by-laws, business license, business permit or other constitutional documents of the Subsidiary Guarantor or any of its Subsidiaries or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Subsidiary Guarantor or any of its Subsidiaries or any of their assets, properties or operations.

(v) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Subsidiary Guarantor of its obligations hereunder, in connection with the offering, issuance or sale of the Securities hereunder or the consummation of the transactions contemplated by the Transaction Documents or for the due execution, delivery or performance of this Agreement, the Subsidiary Guarantee or the Indenture by the Subsidiary Guarantor, except such as have been already obtained.

(vi) Authorization of the Subsidiary Guarantee. The Subsidiary Guarantee has been duly authorized and, when executed and delivered, will be a valid and binding obligation of the Subsidiary Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability.

(vii) Authorization of the Indenture. The Indenture has been duly authorized and, when executed and delivered by the Subsidiary Guarantor, shall be a valid and binding agreement of the Subsidiary Guarantor, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and equitable principles of general applicability.

(viii) Authorization of the Intercreditor Agreement. The Intercreditor Agreement has been duly authorized by the Subsidiary Guarantor Pledgor and, when executed and delivered by the Subsidiary Guarantor Pledgor and the other parties thereto, will constitute a valid and binding agreement of the Subsidiary Guarantor Pledgor, enforceable against the Subsidiary Guarantor Pledgor in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency (including, without limitation, all laws relating to fraudulent transfers), reorganization, moratorium or similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

(ix) Authorization of the Share Pledges. Each of the Share Pledges to which the Subsidiary Guarantor Pledgor is a party has been duly authorized by the Subsidiary Guarantor Pledgor and, when duly executed and delivered by the Subsidiary Guarantor Pledgor and each of the other parties in accordance with its terms, will constitute a valid and binding agreement of the Subsidiary Guarantor Pledgor, enforceable against the Subsidiary Guarantor Pledgor in accordance with its terms, except as the enforcement thereof may be limited by applicable bankruptcy, fraudulent conveyance, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability. After the execution and delivery thereof, the Share Pledges to which such Subsidiary Guarantor Pledgor is a party will create in favor of the Security Trustee, for the benefit of the holders of the Securities and the other creditors secured thereunder, a valid and enforceable perfected first priority security interest in the relevant Collateral (subject to the completion of the recordings, notations and filings in New York, Hong Kong, the British Virgin Islands, the Cayman Islands and/or Barbados, as the case may be, as set forth on Schedule F hereto), to be shared on a *pari passu* basis with certain other secured creditors under the Intercreditor Agreement.

(x) Creation, Enforceability and Perfection of Security Interests. The Subsidiary Guarantor Pledgor under each Share Pledge to which it is a party beneficially owns the relevant Collateral covered by such Share Pledge, free and clear of any security interest, mortgage, pledge, lien, encumbrance or claim. All filings and other actions necessary or desirable to perfect and protect the security interest in such Collateral to be created (or purported to be created) under such Share Pledges have been or will be, at or prior to the Closing Date, duly made or taken and are or will be, at or prior to the Closing Date, in full force and effect (other than the completion of the recordings, notations and filings in New York, Hong Kong, the British Virgin Islands, the Cayman Islands and/or Barbados, as the case may be, as set forth on Schedule F hereto).

(xi) Validity under the Laws of Company Jurisdictions. It is not necessary under the laws of the Company Jurisdictions or any political subdivision thereof or authority or agency therein in order to enable a Subsequent Purchaser of Securities or an owner of any interest therein to enforce its rights under the Securities or to enable any Initial Purchaser to enforce its rights under any of this Agreement, the Indenture, the Security Documents or the Securities that it should, as a result solely of its holding of Securities be licensed, qualified, or otherwise entitled to carry on business in the Company Jurisdictions or any political subdivision thereof or authority or agency therein; each of this Agreement, the Indenture, the Security Documents and the Securities is in proper legal form under the laws of the Company Jurisdictions and any political subdivision

thereof or authority or agency therein for the enforcement thereof against the Company therein; and it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of this Agreement, the Indenture, the Security Documents or the Securities in the Company Jurisdictions or any political subdivision thereof or agency therein that any of them be filed or recorded with any court, authority or agency in any court, authority or agency of the Company Jurisdictions or any political subdivision thereof.

(xii) Investment Company Act. The Subsidiary Guarantor is not, and after giving effect to the offer and sale of the Securities and the application of the proceeds thereof as described in the Disclosure Package and the Final Offering Memorandum will not be, required to register as an "investment company" as such term is defined in the 1940 Act.

(xiii) Similar Offerings. Neither the Subsidiary Guarantor nor any of its Affiliates has, directly or indirectly, solicited any offer to buy, sold or offered to sell or otherwise negotiated in respect of, or will solicit any offer to buy, sell or offer to sell or otherwise negotiate in respect of, in United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Securities in a manner that would require the offered Securities to be registered under the 1933 Act.

(xiv) No General Solicitation. None of the Subsidiary Guarantor, its Affiliates or any person acting on its or any of their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has engaged or will engage, in connection with the offering of the offered Securities, in any form of general solicitation or general advertising within the meaning of Rule 502(c) under the 1933 Act.

(xv) No Directed Selling Efforts. With respect to those offered Securities sold in reliance on Regulation S, (A) none of the Subsidiary Guarantor, its Affiliates or any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has engaged or will engage in any directed selling efforts within the meaning of Regulation S and (B) each of the Subsidiary Guarantor and its Affiliates and any person acting on its or their behalf (other than the Initial Purchasers, as to whom the Subsidiary Guarantor and the Company make no representation) has complied and will comply with any applicable offering restrictions requirement of Regulation S.

(xvi) Absence of Manipulation. Neither the Subsidiary Guarantor nor any of its Affiliates has taken, nor will the Subsidiary Guarantor or any of its Affiliates take, directly or indirectly, any action which is designed to or which has constituted or which would be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xvii) Foreign Issuer. The Subsidiary Guarantor is a "foreign issuer" within the meaning of Rule 902 under the 1993 Act.

(c) Officer's Certificates. Any certificate signed by any officer of (i) the Company or any of its Subsidiaries, or (ii) any Subsidiary Guarantor delivered to the Representatives or counsel for the Initial Purchasers shall be deemed a representation and warranty by the Company and/or such Subsidiary Guarantor, as the case may be, to each Initial Purchaser as to the matters covered thereby.

Section 2. Sale and Delivery to the Initial Purchasers; Closing.

(a) *Securities.* On the basis of the representations, warranties and agreements herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Initial Purchaser, and each Initial Purchaser, severally and not jointly, agrees to purchase from the Company, at the price set forth in Schedule B, the aggregate principal amount of Notes set forth in Schedule A opposite the name of such Initial Purchaser, plus any additional principal amount of Notes which such Initial Purchaser may become obligated to purchase pursuant to the provisions of Section 11 hereof.

(b) *Payment.* Payment of the purchase price for, and delivery of certificates for, the Notes shall be made at the Hong Kong office of Davis Polk & Wardwell LLP or at such other place as shall be agreed upon by the Representatives and the Company, at 9:00 A.M. (New York City time) on the fifth Business Day after the date hereof (unless postponed in accordance with the provisions of Section 11) (the "Closing Date"), or such other time not later than ten Business Days after such date as shall be agreed upon in writing by the Representatives and the Company (such time and date of payment and delivery being herein called "Closing Time"). "Business Day" means any day except a Saturday, a Sunday or a day on which commercial banks in The City of New York or Hong Kong are authorized by law to close or otherwise not open for business.

Payment shall be made to the Company by wire transfer of immediately available funds to a bank account designated by the Company, against delivery to BAML for the respective accounts of the Initial Purchasers of certificates for the Notes to be purchased by them. It is understood that each Initial Purchaser has authorized BAML, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Notes which it has agreed to purchase. BAML, individually and not as representative of the Initial Purchasers, may (but shall not be obligated to) make payment of the purchase price for the Notes to be purchased by any Initial Purchaser whose funds have not been received by the Closing Time, but such payment shall not relieve such Initial Purchaser from its obligations hereunder.

(c) *Denominations; Registration.* Certificates for the Notes shall be in global form and registered in the name of Cede & Co., as nominee of DTC and shall be in such denominations (US\$2,000 or integral multiples of US\$1,000 in excess thereof) as the Representatives may request in writing at least one full business day before the Closing Time. The global certificates representing the Notes shall be made available for examination and packaging by the Initial Purchasers in The City of New York not later than 10:00 A.M. on the last business day prior to the Closing Time. Delivery of (i) one or more global certificates evidencing Notes sold in offshore transactions in reliance on Regulation S of the 1933 Act to the Trustee, as custodian for DTC, on behalf of Clearstream Banking S.A. Luxembourg ("Clearstream"), and Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and (ii) one or more global certificates representing Notes sold in reliance on Rule 144A under the 1933 Act to the Trustee, as custodian for DTC, shall be made at the Closing Time, for the respective accounts of the Initial Purchasers.

Section 3. Covenants of the Company and the Subsidiary Guarantors. The Company and each of the Subsidiary Guarantors covenants with the Initial Purchasers as follows:

(a) *Offering Memorandum.* The Company and the Subsidiary Guarantors, as promptly as possible, will furnish to each Initial Purchaser, without charge, such number of copies of the Offering Memorandum and any amendments and supplements thereto and documents incorporated by reference therein as such Initial Purchaser may reasonably request.

(b) *Notice and Effect of Material Events.* The Company and the Subsidiary Guarantors will immediately notify each Initial Purchaser, and confirm such notice in writing, of (i) any filing made by the Company and the Subsidiary Guarantors of information relating to the offering of the Securities with any securities exchange or any other regulatory body in the United States or any other jurisdiction, and (ii) prior to the completion of the placement of the offered Securities by the Initial Purchasers, any material changes in or affecting the condition, financial or otherwise, or the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise which (A) make any statement in the Disclosure Package, any Offering Memorandum or any Supplemental Offering Material false or misleading or (B) are not disclosed in the Disclosure Package or the Offering Memorandum. In such event or if during such time any event shall occur as a result of which it is necessary, in the reasonable opinion of any of the Company, its counsel, the Initial Purchasers or counsel for the Initial Purchasers, to amend or supplement the Offering Memorandum in order that the Offering Memorandum not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances then existing, the Company will forthwith amend or supplement the Offering Memorandum by preparing and furnishing to each Initial Purchaser an amendment or amendments of, or a supplement or supplements to, the Offering Memorandum (in form and substance satisfactory in the reasonable opinion of counsel for the Initial Purchasers) so that, as so amended or supplemented, the Offering Memorandum will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time it is delivered to a Subsequent Purchaser, not misleading.

(c) *Amendment and Supplements to the Offering Memorandum; Preparation of Pricing Supplement; Supplemental Offering Materials.* The Company and the Subsidiary Guarantors will advise each Initial Purchaser promptly of any proposal to amend or supplement the Offering Memorandum and will not effect such amendment or supplement without the consent of the Initial Purchasers. Neither the consent of the Initial Purchasers, nor the Initial Purchasers' delivery of any such amendment or supplement, shall constitute a waiver of any of the conditions set forth in Section 5 hereof. The Company will prepare the Pricing Supplement, in form and substance satisfactory to the Representatives, and shall furnish as soon as practicable but not later than the Applicable Time to each Initial Purchaser, without charge, as many copies of the Pricing Supplement as such Initial Purchaser may reasonably request. The Company and each of the Subsidiary Guarantors represents and agrees that, unless it obtains the prior consent of the Representatives, it has not made and will not make any offer relating to the Securities by means of any Supplemental Offering Materials.

(d) *Qualification of Securities for Offer and Sale.* The Company and the Subsidiary Guarantors will use their best efforts, in cooperation with the Initial Purchasers, to enable that the Securities may be offered and sold on an exempt basis under the applicable securities laws of such states and other jurisdictions as the Initial Purchasers may designate and to maintain such status in effect as long as required for the sale of the Notes; provided, however, that the Company and the Subsidiary Guarantors shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities business in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(e) *Use of Proceeds.* The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Offering Memorandum under "Use of Proceeds."

(f) *Stamp and Transfer Tax Indemnity.* The Company and the Subsidiary Guarantors will indemnify and hold each Initial Purchaser harmless against (i) any documentary, stamp or similar transfer or issue tax, duties or fees and any transaction levies, commissions or brokerage charges, including any

interest and penalties, on the issue, sale and delivery to the Initial Purchasers of the Securities in accordance with the terms of this Agreement, the sale and delivery by the Initial Purchasers of the Securities to Subsequent Purchasers, and the execution and delivery of this Agreement and the Indenture and (ii) any value-added tax payable in connection with the commissions and other amounts payable or allowable by the Company, in each case, that are or may be required to be paid under the laws of Canada, Hong Kong, the PRC, the British Virgin Islands, the Cayman Islands, Barbados, the United States or any other jurisdiction, or any political subdivision or taxing authority thereof or therein; provided that (A) the relevant Initial Purchaser is a non-resident of Canada who does not use or hold, and is not deemed to sue or hold, the Securities or the Purchase Agreement in connection with the carrying on of a business in Canada in any taxation year; (B) in the case that an Initial Purchaser carries on an insurance business in Canada and elsewhere, this Agreement and the Securities are not "designated insurance property" in respect of such Initial Purchaser; and (C) such Initial Purchaser does not carry on a trade or business in Hong Kong and does not purchase or hold the Securities as part of such trade or business carried on in Hong Kong. The Company and the Subsidiary Guarantors agree that each Initial Purchaser may elect to deduct from the payments to be made by it to the Company under this Agreement, any amounts required to be paid by the Company and the Subsidiary Guarantors under this clause.

(g) *Restriction on Sale of Securities.* During a period of 120 days from the date of the issuance of the Notes, the Company will not, without the prior written consent of the Representatives, directly or indirectly, issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of, any other debt securities of the Company or securities of the Company that are convertible into, or exchangeable for, the Notes or such other debt securities.

(h) *Listing on Securities Exchange.* The Company shall make such filings, registrations or qualifications and take all other necessary action and will use its best efforts to obtain such consents, approvals and authorizations, if any, and satisfy all conditions that the SGX-ST (or its successors) may impose on the listing of the Notes on the SGX-ST. The Company shall use its reasonable best efforts to maintain the listing of the Notes on the SGX-ST.

(i) *Clearance and Settlement Systems.* The Company will use its best efforts to permit the Securities to be eligible for clearance and settlement through the facilities of DTC, Euroclear Bank or Clearstream.

(j) *Public Announcement.* Prior to the Closing Time, the Company will not issue any press release or other communication directly or indirectly and hold no press conferences with respect to the Company or any of its Subsidiaries, the financial condition, results of operations, business properties, assets or liabilities of the Company or any of its Subsidiaries of the offering of the Securities, without the prior consultation of the Representatives.

(k) *High Conservation Value Forests.* The Company will not, and will not permit any Subsidiary to, (i) use the proceeds of the Notes for any commercial activities (A) in any high conservation value forests within the meaning of the Forest Stewardship Council's definition of such term (a "High Conservation Value Forest") or on any land that was cleared of High Conservation Value Forests within 5 years prior unless such operations are certified by a Forest Stewardship Council-accredited certification body or have made substantial and demonstrable progress towards Forest Stewardship Council-accredited certification or (B) at sites that are otherwise protected by applicable law against such activities, or (ii) engage in illegal logging, uncontrolled and/or illegal use of fire, or violations of local laws.

Section 4. Payment of Expenses.

(a) *Expenses.* Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing, delivery to the Initial Purchasers and any filing of any preliminary offering memorandum, the Disclosure Package and the Final Offering Memorandum (including financial statements and any schedules or exhibits and any document incorporated therein by reference) and of each amendment or supplement thereto or of any Supplemental Offering Material, (ii) the preparation, printing and delivery to the Initial Purchasers of this Agreement, any Agreement among Initial Purchasers, the Indenture and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Notes to the Initial Purchasers, including any transfer taxes, any stamp or other duties payable upon the sale, issuance and delivery of the Securities to the Initial Purchasers and any charges of DTC or other applicable clearing system in connection therewith, (iv) the fees and disbursements of the Company's and any Subsidiary Guarantor's counsel, accountants, Pöyry Forest Industry Ltd. and other advisors, (v) all reasonable out-of-pocket expenses incurred by the Initial Purchasers in connection with this offering, which shall include travel costs, document production and other customary expenses for this type of transaction, including the fees and disbursements of the Initial Purchasers' legal counsel, (vi) the qualification of the Notes under securities laws in accordance with the provisions of Section 3(d) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Initial Purchasers in connection therewith and in connection with the preparation of the Blue Sky Survey, any supplement thereto, (vii) the fees and expenses of the Trustee and any paying agent, transfer agent, registrar or depository and any security agent, including the fees and disbursements of counsel for the Trustee, in connection with the issuance of the Securities and other transactions contemplated under the Indenture and the Securities, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Securities including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road show, (ix) all the fees, expenses and other costs incurred in connection with the application for the listing of the Notes on the SGX-ST, (x) the fees and expenses incurred in connection with the appointment of any agent for service of process under this Agreement, the Indenture and other agreements contemplated herein or therein, (xi) all costs and expenses related to the preparation, filing and distribution of any announcements related to the offering of the Notes, (xii) any fees payable in connection with the rating of the Securities, and (xiii) all other costs and expenses incident to the performance of the obligations of the Company and the Subsidiary Guarantors.

(b) *Reimbursement.* Without prejudice to subsection (c) below, the Company undertakes, forthwith after a request by an Initial Purchaser, to reimburse such Initial Purchaser the amount of any costs, charges, commissions, fees and expenses (including amounts in respect of VAT (or other similar tax) properly chargeable thereon) payable by the Company under the other subsections of this Section 4 which such Initial Purchaser may have properly paid or reasonably incurred.

(c) *Deduction from Proceeds.* Each Initial Purchaser may elect to deduct an amount equal to (i) the commissions payable by the Company; and (ii) any such costs, charges, fees, and expenses (including amounts in respect of VAT (or other similar tax) chargeable thereon), which the Company has agreed to pay, indemnify or hold such Initial Purchaser harmless against, or which failed to be reimbursed by the Company, under or pursuant to this Agreement, from any payments to be made by such Initial Purchaser to the Company under Section 2 hereof.

(d) *Reimbursement Obligation Survives.* Reimbursement by the Company under subsections (a) and (b) above shall be made subject to the terms of these subsections, in any event irrespective of whether or not the offering of the offered Securities is completed.

(e) *Payments Free of Taxes.* All sums payable to the Initial Purchasers by the Company or the Subsidiary Guarantors under this Agreement shall be paid without set-off or counterclaim, and free and clear of and without deduction or withholding for or on account of any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature imposed by Canada, the British Virgin Islands, the Cayman Islands, Barbados, the United States, the PRC and Hong Kong, or by any department, agency or other political subdivision or taxing authority thereof, and all interest, penalties or similar liabilities with respect thereto. If any such taxes are required by law to be deducted or withheld in connection with such payments, the Company or the Subsidiary Guarantors, as the case may be, will increase the amount to be paid so that the full amount due is received.

(f) *Termination of Agreement.* If this Agreement is terminated by the Representatives in accordance with the provisions of Section 5 or Section 10(a)(i) hereof, the Company and the Subsidiary Guarantors shall reimburse the Initial Purchasers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Initial Purchasers. The Company and the Subsidiary Guarantors shall not be responsible for reimbursing any defaulting Initial Purchaser as described in Section 11 hereof.

Section 5. Conditions of Initial Purchasers' Obligations. The obligations of the Initial Purchasers hereunder are subject to the accuracy of the representations and warranties of the Company and the Subsidiary Guarantors contained in Section 1 hereof as of the date hereof and as of the Closing Time, except for such representations and warranties that speak to a specific time, in which case the representation and warranty shall be accurate as of such specified time, or in certificates of any officer of the Company or any of its Subsidiaries delivered pursuant to the provisions hereof, to the performance by the Company and each of the Subsidiary Guarantors of its covenants and other obligations hereunder, and to the following further conditions:

(a) *Opinions of Counsel for Company and Subsidiary Guarantors.* At the Closing Time, the Representatives shall have received (i) the favorable opinions, dated as of the Closing Time, of (A) Aird & Berlis LLP, counsel for the Company as to Canadian law, to the effect set forth in Exhibit A-1 hereto, (B) Linklaters, counsel for the Company and certain Subsidiary Guarantors as to United States, Hong Kong and English law, to the effect set forth in Exhibit A-2 hereto, (C) Appleby, counsel for the Company and certain Subsidiary Guarantors as to the laws of the British Virgin Islands and Cayman Islands, to the effect set forth in Exhibit A-3 hereof, in each case, in form and substance satisfactory to the Representatives and (D) Chancery Chambers, counsel for the Company and certain Subsidiary Guarantors as to the laws of Barbados, to the effect as set forth in Exhibit A-4 hereof; and (ii) a signed copy of the opinion, dated as of the Closing Time, of Jingtian & Gongcheng, counsel for the Company as to PRC law, in form and substance satisfactory to the Representatives and to the effect set forth in Exhibit A-5 hereto, and such opinion shall be addressed to the Company for its sole reliance and expressly consent to the Company's delivering a copy of such opinion to the Representatives at the Closing Time. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon the accuracy and truthfulness of the representations of the Company or the Subsidiary Guarantors in Section 1 hereof or certificates of officers of the Company and its Subsidiaries and certificates of public officials.

(b) *Opinion of Counsel for Initial Purchasers.* At the Closing Time, the Representatives shall have received the favorable opinions, dated as of the Closing Time, of (i) Davis Polk & Wardwell LLP, counsel for the Initial Purchasers as to United States law, to the effect set forth in Exhibit A-6



hereto, (ii) Commerce & Finance Law Offices, counsel for the Initial Purchasers as to PRC law, to the effect set forth in Exhibit A-7 hereto and (iii) Stikeman Elliot LLP, counsel for the Initial Purchasers as to Canadian tax law. Such counsel may also state that, insofar as such opinion involves factual matters, they have relied, to the extent they deem proper, upon certificates of officers of the Company and its Subsidiaries, upon the accuracy and truthfulness of the representations of the Company or the Subsidiary Guarantors in Section 1 hereof or officers' certificates delivered by or on behalf of the Company or the Subsidiary Guarantors and certificates of public officials.

(c) *Officers' Certificate.* At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Disclosure Package and the Final Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Representatives shall have received (i) from the Company a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of the Closing Time, to the effect that (A) there has been no such material adverse change, (B) the representations and warranties made by the Company and each of the Subsidiary Guarantor in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time, and (C) the Company and each of the Subsidiary Guarantor has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time in all material respects; (ii) from the Company a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company, dated as of the Closing Time, to the effect set forth in Exhibit B, and (iii) from each Subsidiary Guarantor a certificate signed by an executive officer (or director where no officer is appointed) of such Subsidiary Guarantor, dated as of the Closing Time, to the effect that (A) the representations and warranties made by such Subsidiary Guarantor in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time, and (B) such Subsidiary Guarantor has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time in all material respects.

(d) *Accountants' Comfort Letter.* At the time of the execution of this Agreement, the Representatives shall have received from Ernst & Young LLP a letter dated such date, in form and substance satisfactory to the Representatives, together with signed and reproduced copies of such letter for each of the other Initial Purchasers, containing statements and information of the type ordinarily included in accountants' "comfort letters" to the Initial Purchasers with respect to the financial statements and certain financial information contained in the Offering Memorandum.

(e) *Bring-down Comfort Letter.* At the Closing Time, the Representatives shall have received from Ernst & Young LLP a letter, dated as of the Closing Time, to the effect that Ernst & Young LLP reaffirms the statements made in the letter furnished pursuant to subsection (d) of this Section, except that the specified date referred to shall be a date not more than five business days prior to the Closing Time.

(f) *SGX-ST.* The Company shall have obtained on or prior to the Closing Date approval in-principle from the SGX-ST for the Notes to be listed for a listing of up to US\$600,000,000, and you are satisfied that such listing will be granted shortly after the Closing Date.

(g) *Maintenance of Rating.* At the Closing Time, the Notes shall be rated at least "BB (stable)" by Standard & Poors Ratings Services, at least "Ba2 (stable)" by Moody's Investors Services, Inc. and at least "BB+ (stable)" by Fitch Ratings Ltd., and the Company shall have delivered to the Representatives a letter dated the Closing Time, from each such rating agency, or other evidence satisfactory to the Representatives, confirming that the Securities have such ratings. Since the date of this

Agreement, there shall not have occurred a downgrading in the rating assigned to any of the Company's debt securities by any "nationally recognized statistical rating agency", as that term is defined by the Commission for purposes of Rule 436(g)(2) under the 1933 Act, and no such securities rating agency shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities.

(h) *Indenture.* At or prior to the Closing Time, each of the Company, the Subsidiary Guarantors and the Trustee shall have executed and delivered the Indenture.

(i) *Security Documents.* At or prior to the Closing Time, each of the Company, the Subsidiary Guarantor Pledgors and the other parties to the Security Documents shall have executed and delivered each of the Security Documents to which they are a party.

(j) *DTC.* The Notes shall have been declared eligible for clearance and settlement through DTC.

(k) *Appointment of Service of Process Agent.* Law Debenture Corporate Services Inc. shall have accepted, on or prior to the Closing Time, the appointment by the Company and the Subsidiary Guarantors as provided in Section 17 of this Agreement and pursuant to the terms of the Indenture.

(l) *Subsidiary Guarantor Shareholder Approval.* Each Subsidiary Guarantor shall have provided to the Representatives, approvals from the shareholders of the Subsidiary Guarantor approving the issuance by such Subsidiary Guarantor of its Subsidiary Guarantee.

(m) *Additional Documents.* At the Closing Time, counsel for the Initial Purchasers shall have been furnished with such documents and opinions as they may require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company and each of the Subsidiary Guarantors in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Representatives and counsel for the Initial Purchasers.

(n) *Termination of Agreement.* If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Initial Purchasers by notice to the Company and the Subsidiary Guarantors at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Section 1, Section 7, Section 8, Section 9, Section 12, Section 16, Section 17, Section 18, Section 20, Section 21 and Section 22 shall survive any such termination and remain in full force and effect.

#### Section 6. Subsequent Offers and Resales of the Securities.

(a) *Offer and Sale Procedures.* Each of the Initial Purchasers, the Company and the Subsidiary Guarantors hereby establishes and agrees to observe the following procedures in connection with the offer and sale of the Securities:

(i) Offers and Sales. Offers and sales of the Securities shall be made only to such persons and in such manner as is contemplated by the Offering Memorandum. Each Initial Purchaser severally agrees that it will not offer, sell or deliver any of the Securities in any jurisdiction outside the United States except under circumstances that will result in compliance

with the applicable laws thereof and that it will take at its own expense whatever action is required to permit its purchase and the resale of the Securities in such jurisdiction.

(ii) No General Solicitation. No general solicitation or general advertising (within the meaning of Rule 502(c) under the 1933 Act) will be used in the United States in connection with the offering or sale of the Securities.

(iii) Subsequent Purchaser Notification. Each Initial Purchaser severally will take reasonable steps to inform, and cause each of its U.S. Affiliates to take reasonable steps to inform, persons acquiring Securities from such Initial Purchaser or its Affiliate, as the case may be, in the United States that the Securities (A) have not been and will not be registered under the 1933 Act, (B) are being sold to them without registration under the 1933 Act in reliance on Rule 144A or in accordance with another exemption from registration under the 1933 Act, as the case may be, and (C) may not be offered, sold or otherwise transferred except (1) to the Company or one of its Subsidiaries, (2) outside the United States in accordance with Regulation S and in accordance with the laws of the applicable jurisdiction, or (3) inside the United States in accordance with (x) Rule 144A to a person whom the seller reasonably believes is a QIB that is purchasing such Securities for its own account or for the account of a QIB to whom notice is given that the offer, sale or transfer is being made in reliance on Rule 144A or (y) pursuant to another available exemption from registration under the 1933 Act.

(iv) Minimum Principal Amount. No sale of the Notes to any one Subsequent Purchaser will be for less than US\$2,000 principal amount and no Note will be issued in a smaller principal amount. If the Subsequent Purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least US\$2,000 principal amount of the Notes.

(v) Transfer Restriction. The transfer restrictions and the other provisions set forth in the Offering Memorandum under the caption "Transfer Restrictions," including the legend required thereby, shall apply to the Securities.

(b) Covenants of the Company and the Subsidiary Guarantors. The Company and each Subsidiary Guarantor jointly and severally covenants with each Initial Purchaser as follows:

(i) Integration. The Company and each Subsidiary Guarantor agrees that it will not and will cause its Affiliates not to, directly or indirectly, solicit any offer to buy, sell or make any offer or sale of, or otherwise negotiate in respect of, securities of the Company of any class if, as a result of the doctrine of "integration" referred to in Rule 502 under the 1933 Act, such offer or sale would render invalid (for the purpose of (A) the sale of the offered Securities by the Company to the Initial Purchasers, (B) the resale of the offered Securities by the Initial Purchasers to Subsequent Purchasers or (C) the resale of the offered Securities by such Subsequent Purchasers to others) the exemption from the registration requirements of the 1933 Act provided by Section 4(2) thereof or by Rule 144A or by Regulation S thereunder or otherwise.

(ii) Rule 144A Information. During any period in which the Company is not subject to Section 13 or 15(d) of the 1934 Act or exempt from reporting pursuant to Rule 12g3-2(b) under the 1934 Act, the Company will furnish, upon request, to each holder of the Notes, or any perspective purchaser designated by any such holder, information satisfying the requirements of Rule 144A(d)(4)(i) under the 1933 Act so long as any such Notes are "restricted securities" within the meaning of Rule 144A(d)(4)(i).

(iii) Restriction on Repurchases. Until the expiration of one year after the Closing Time, the Company will not, and will cause its Affiliates not to, resell any offered Securities which are "restricted securities" (as such term is defined under Rule 144(a)(3) under the 1933 Act), whether as beneficial owner or otherwise (except as agent acting as a securities broker on behalf of and for the account of customers in the ordinary course of business in unsolicited broker's transactions).

(c) Qualified Institutional Buyer. Each Initial Purchaser severally hereby represents and warrants to, and agrees with, the Company and the Subsidiary Guarantors, that it is a QIB and an "accredited investor" within the meaning of Section 501(a) under the 1933 Act.

(d) Resale Pursuant to Rule 903 of Regulation S or Rule 144A. Each Initial Purchaser understands that the offered Securities have not been and will not be registered under the 1933 Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act. Each Initial Purchaser severally represents and agrees that it has not offered or sold, and will not offer or sell, any offered Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the 1933 Act, Rule 144A under the 1933 Act or another applicable exemption from the registration requirements of the 1933 Act. Accordingly, neither it nor its affiliates or any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the offered Securities. Terms used in this paragraph have the meanings given to them by Regulation S.

#### Section 7. Indemnification.

(a) Indemnification of Initial Purchasers. The Company and each Subsidiary Guarantor, jointly and severally, agrees to indemnify and hold harmless each Initial Purchaser, its affiliates, as such term is defined in Rule 501(b) under the 1933 Act (each, an "Affiliate"), its selling agents and each person, if any, who controls any Initial Purchaser within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary offering memorandum, the Disclosure Package, the Final Offering Memorandum (or any amendment or supplement thereto) or any Supplemental Offering Materials, or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(d) below) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Representatives), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above; *provided, however,* that this

indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company and the Subsidiary Guarantors by any Initial Purchaser through the Representatives expressly for use in the Preliminary Offering Memorandum, the Disclosure Package, the Final Offering Memorandum (or any amendment or supplement thereto) or in any Supplemental Offering Materials, it being understood and agreed that the only such information consists of the following information: (A) the second full paragraph on page iii in the Offering Memorandum; (B) the name of the Initial Purchasers appearing in the first paragraph under the heading "Plan of Distribution" in the Offering Memorandum; and (C) the two paragraphs under the subheading "Plan of Distribution—Price Stabilization and Short Positions" in the Offering Memorandum.

(b) *Indemnification of Company.* Each Initial Purchaser severally agrees to indemnify and hold harmless the Company and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in any preliminary offering memorandum, the Disclosure Package, the Final Offering Memorandum or any Supplemental Offering Materials in reliance upon and in conformity with written information furnished to the Company by any Initial Purchaser through the Representatives expressly for use therein, it being understood and agreed that only such information consists of the information described as such in subsection (a) above.

(c) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In the case of parties indemnified pursuant to Section 7(a) above, counsel to the indemnified parties shall be selected by the Representatives and, in the case of parties indemnified pursuant to Section 7(b) above, counsel to the indemnified parties shall be selected by the Company. An indemnifying party may participate at its own expense in the defense of any such action; provided, however, that counsel to the indemnifying party shall not (except with the consent of the indemnified party) also be counsel to the indemnified party. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into

more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

**Section 8. Contribution.** If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (a) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand from the offering of the Securities pursuant to this Agreement or (b) if the allocation provided by clause (a) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (a) above but also the relative fault of the Company and the Subsidiary Guarantors on the one hand and of the Initial Purchasers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company and the Subsidiary Guarantors and the total underwriting discount received by the Initial Purchasers, bear to the aggregate initial offering price of the Securities.

The relative fault of the Company and the Subsidiary Guarantors on the one hand and the Initial Purchasers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Subsidiary Guarantors or by the Initial Purchasers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Subsidiary Guarantors and the Initial Purchasers agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata (even if the Initial Purchasers were treated as one entity for such purpose) allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section, no Initial Purchaser shall be required to contribute any amount in excess of the amount by which the total price at which the Securities purchased and sold by it hereunder exceeds the amount of any damages which such Initial Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

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.

For purposes of this Section, each person, if any, who controls an Initial Purchaser within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Initial Purchaser's Affiliates and selling agents shall have the same rights to contribution as such Initial Purchaser, and each person, if any, who controls the Company and any of the Subsidiary Guarantors within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company and such Subsidiary Guarantor. The Initial Purchasers' respective obligations to contribute pursuant to this Section are several in proportion to the principal amount of Securities set forth opposite their respective names in Schedule A hereto and not joint.

**Section 9. Representations, Warranties and Agreements to Survive.** All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or its Subsidiaries or any Subsidiary Guarantor submitted pursuant hereto shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of any Initial Purchaser or its Affiliates or selling agents, any person controlling any Initial Purchaser, its officers or directors or any person controlling the Company or any Subsidiary Guarantor and (b) delivery of and payment for the Securities.

**Section 10. Termination of Agreement.**

(a) *Termination; General.* The Representatives may terminate this Agreement, by notice to the Company and the Subsidiary Guarantors, at any time at or prior to the Closing Time (i) if there has been, since the time of execution of this Agreement or since the date as of which information is given in the Preliminary Offering Memorandum, the Disclosure Package or the Final Offering Memorandum (exclusive of any amendments or supplements thereto subsequent to the date of this Agreement), any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs or business prospects of the Company and its Subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission, any Canadian provincial securities regulatory authority, the TSX, the Investment Industry Regulatory Organization of Canada, the Singapore Monetary Authority, the SGX-ST or the NASDAQ System, or if trading generally on the TSX, the London Stock Exchange, the SGX-ST, the Hong Kong Stock Exchange, the American Stock Exchange or the New York Stock Exchange or in the NASDAQ System has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the Financial Industry Regulatory Authority or any other governmental authority, or (iv) a material disruption has occurred in commercial banking or securities settlement or clearance services in Canada, the United States, Japan, the United Kingdom, Hong Kong, PRC, Singapore or with respect to Clearstream Bank, *société anonyme* and Euroclear Bank S.A./N.V., as operator of the Euroclear System, or (v) if a banking moratorium has been declared by any Canadian, United States Federal or New York State, Japan, United Kingdom, European Central Bank, Hong Kong, PRC or Singapore authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Section 1, Section 7, Section 8, Section 9, Section 12, Section 16, Section 17, Section 18, Section 20, Section 21 and Section 22 shall survive such termination and remain in full force and effect.

Section 11. Default by One or More of the Initial Purchasers. If one or more of the Initial Purchasers shall fail at the Closing Time to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Initial Purchasers, or any other initial purchasers, 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 Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the aggregate principal amount of the Securities to be purchased hereunder, each of the non-defaulting Initial Purchasers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Initial Purchasers, or

(b) if the number of Defaulted Securities exceeds 10% of the aggregate principal amount of the Securities to be purchased hereunder, this Agreement shall terminate without liability on the part of any non-defaulting Initial Purchaser.

No action taken pursuant to this Section shall relieve any defaulting Initial Purchaser from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representatives or the Company shall have the right to postpone the Closing Time for a period not exceeding seven days in order to effect any required changes in the Offering Memorandum or in any other documents or arrangements. As used herein, the term "Initial Purchaser" includes any person substituted for an Initial Purchaser under this Section.

Section 12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Initial Purchasers shall be directed to each of BAML at One Bryant Park, New York, NY, 10036, United States and Credit Suisse at Eleven Madison Avenue, New York, New York 10010, United States, Facsimile: (212) 325-4296, Attention: LCD-IBD, with a simultaneous copy to: Davis Polk & Wardwell LLP at 18/F Hong Kong Club Building, 3A Chater Road, Hong Kong, Facsimile: (852) 2533-3388, Attention: William Barron; and notices to the Company or any Subsidiary Guarantor shall be directed to it at Sino-Forest Corporation, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, Canada, L5B 3C3, Facsimile: (852) 2877-0125, Attention: Allen T. Y. Chan.

Section 13. No Advisory or Fiduciary Relationship. The Company and each Subsidiary Guarantor named herein acknowledges and agrees that (a) the purchase and sale of the Securities pursuant to this Agreement, including the determination of the offering price of the Securities and any related discounts and commissions, is an arm's-length commercial transaction between the Company and the Subsidiary Guarantors, on the one hand, and the several Initial Purchasers, on the other hand, (b) in connection with the offering contemplated hereby and the process leading to such transaction each Initial Purchaser is and has been acting solely as a principal and is not the agent or fiduciary of the Company or any Subsidiary Guarantor, or its shareholders, creditors, employees or any other party, (c) no Initial



Purchaser has assumed and will assume an advisory or fiduciary responsibility in favor of the Company or any Subsidiary Guarantor with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Initial Purchaser has advised or is currently advising the Company or any Subsidiary Guarantor on other matters) and no Initial Purchaser has any obligation to the Company or any Subsidiary Guarantor with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, (d) the Initial Purchasers and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of each of the Company and the Subsidiary Guarantors, and (e) the Initial Purchasers have not provided any legal, accounting, regulatory or tax advice with respect to the offering contemplated hereby and the Company and the Subsidiary Guarantors have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate.

Section 14. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Company, the Subsidiary Guarantors and the Initial Purchasers, or any of them, with respect to the subject matter hereof.

Section 15. Parties. This Agreement shall inure to the benefit of and be binding upon the Initial Purchasers and the Company, the Subsidiary Guarantors and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Initial Purchasers, the Company, the Subsidiary Guarantors and their respective successors and the controlling persons and officers and directors referred to in Section 7 and Section 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Initial Purchasers, the Company, the Subsidiary Guarantors and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any Initial Purchaser shall be deemed to be a successor by reason merely of such purchase.

Section 16. GOVERNING LAW, THIS AGREEMENT, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 17. Submission to Jurisdiction; Appointment of Agent for Service; Waiver of Immunity. (a) Each of the Company and the Subsidiary Guarantors irrevocably submits to the non-exclusive jurisdiction of any New York State or United States Federal court sitting in the Borough of Manhattan, The City of New York (a "New York Court") over any suit, action or proceeding arising out of or relating to this Agreement, the Disclosure Package, the Final Offering Memorandum or the offering of the Securities. Each of the Company and the Subsidiary Guarantors irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such a court and any claim that any such suit, action or proceeding brought in such a court has been brought in an inconvenient forum.

(b) Each of the Company and the Subsidiary Guarantors hereby irrevocably appoints Law Debenture Corporate Services Inc., with offices at 400 Madison Avenue, 4<sup>th</sup> Floor, New York, NY 10017, United States, as its agent for service of process in any suit, action or proceeding described in the preceding paragraph and agrees that service of process in any such suit, action or proceeding may be made upon it at the office of such agent. Each of the Company and the Subsidiary Guarantors waives, to the fullest extent permitted by law, any other requirements of or objections to personal jurisdiction with respect thereto. Each of the Company and the Subsidiary Guarantors represents and warrants that such

agent has agreed to act as the Company's or such Subsidiary Guarantor's agent for service of process, as the case may be, and each of the Company and the Subsidiary Guarantors agrees to take any and all action, including the filing of any and all documents and instruments, that may be necessary to continue such appointment in full force and effect.

(c) To the extent that the Company, the Company's Subsidiaries or any of the Company's or its Subsidiaries' respective properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the competent jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any competent jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Agreement and the transactions contemplated hereby, the Company and each of the Subsidiary Guarantors hereby irrevocably and unconditionally waives, and agrees not to plead or claim, and procures to so waive and not to please or claim, to the fullest extent permitted by law, any such immunity and consent to such relief and enforcement.

Section 18. Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder into any currency other than United States dollars, the parties hereto agree, to the fullest extent permitted by law, that the rate of exchange used shall be the rate at which in accordance with normal banking procedures an Initial Purchaser could purchase United States dollars with such other currency in The City of New York on the business day immediately preceding that on which final judgment is given. The obligation of the Company or any Subsidiary Guarantor with respect to any sum due from it to any Initial Purchaser or any person controlling such Initial Purchaser shall, notwithstanding any judgment in a currency other than United States dollars, not be discharged until the first business day following receipt by such Initial Purchaser or controlling person of any sum in such other currency, and only to the extent that such Initial Purchaser or controlling person may in accordance with normal banking procedures purchase United States dollars with such other currency. If the United States dollars so purchased are less than the sum originally due to such Initial Purchaser or controlling person hereunder, each of the Company and the Subsidiary Guarantors agrees, jointly and severally, as a separate obligation and notwithstanding any such judgment, to indemnify such Initial Purchaser or controlling person against such loss. If the United States dollars so purchased are greater than the sum originally due to any Initial Purchaser or controlling person hereunder, such Initial Purchaser or controlling person agrees to pay to the Company or the relevant Subsidiary Guarantor, as applicable, an amount equal to the excess of the dollars so purchased over the sum originally due to such Initial Purchaser or controlling person hereunder.

Section 19. TIME. TIME SHALL BE OF THE ESSENCE OF THIS AGREEMENT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

Section 20. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

Section 21. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

Section 22. Severability. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

[INTENTIONALLY LEFT BLANK BELOW]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Initial Purchasers, the Company and the Subsidiary Guarantors in accordance with its terms.

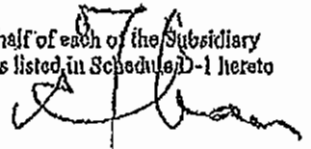
Very truly yours,

SINO-FOREST CORPORATION



By: \_\_\_\_\_  
Name:  
Title:

For and on behalf of each of the Subsidiary Guarantors listed in Schedule D-1 hereto

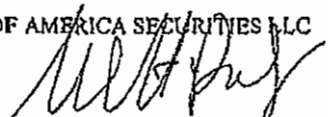


By: \_\_\_\_\_  
Name:  
Title: Director, Authorized Signatory

Signature Page to Purchase Agreement

CONFIRMED AND ACCEPTED,  
as of the date first above written:

BANC OF AMERICA SECURITIES LLC

By:   
Name: William H. Pegler, Jr.  
Title: Director

CREDIT SUISSE SECURITIES (USA) LLC

By: \_\_\_\_\_  
Name:  
Title:

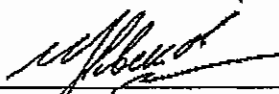
For themselves and as Representatives of the  
Initial Purchasers named in Schedule A hereto

CONFIRMED AND ACCEPTED,  
as of the date first above written:

BANC OF AMERICA SECURITIES LLC

By: \_\_\_\_\_  
Name:  
Title:

CREDIT SUISSE SECURITIES (USA) LLC

By:  \_\_\_\_\_  
Name: Kirill Novikov  
Title: Director

For themselves and as Representatives of the  
Initial Purchasers named in Schedule A hereto

Signature Page to Purchase Agreement

## SCHEDULE A

Name of Initial Purchaser	Principal Amount of Securities
Banc of America Securities LLC.....	US\$300,000,000
Credit Suisse Securities (USA) LLC.....	US\$300,000,000
Total .....	<u>US\$600,000,000</u>

## SCHEDULE B

Sino-Forest Corporation  
US\$600,000,000 6 3/4% Guaranteed Senior Notes due 2017

1. The initial public offering price of the Notes shall be 100% of the principal amount thereof, plus accrued interest, if any, from the date of issuance.
2. The purchase price to be paid by the Initial Purchasers for the Notes shall be 98.0% of the principal amount thereof.
3. The interest rate on the Notes shall be 6.25% per annum.



SCHEDULE C  
Pricing Supplement  
*[attached separately]*

PRICING SUPPLEMENT

STRICTLY CONFIDENTIAL

**US\$600,000,000**  
**Sino-Forest Corporation**  
**6.25% Guaranteed Senior Notes due 2017**  
**October 14, 2010**

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This Pricing Supplement is qualified in its entirety by reference to the Preliminary Offering Memorandum dated October 11, 2010 (the "Preliminary Offering Memorandum"). The information in this Pricing Supplement supplements the Preliminary Offering Memorandum and supersedes the information in the Preliminary Offering Memorandum to the extent inconsistent with the information in the Preliminary Offering Memorandum. Capitalized terms used in this Pricing Supplement but not defined have the meanings given to them in the Preliminary Offering Memorandum.

*The Notes have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and are being offered only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act.*

<b>Issuer:</b>	Sino-Forest Corporation (the "Company")
<b>Title of the Securities:</b>	6.25% Guaranteed Senior Notes due 2017 (the "Notes")
<b>Principal Amount:</b>	US\$600,000,000, which amount represents an increase of \$100,000,000 from the aggregate principal amount under the Preliminary Offering Memorandum
<b>Gross Proceeds:</b>	US\$600,000,000
<b>Net Proceeds:</b>	US\$586,000,000
<b>Maturity Date:</b>	October 21, 2017
<b>Issue Price:</b>	100%
<b>Coupon:</b>	6.25%
<b>Yield to Maturity:</b>	6.25%
<b>Interest Payment Dates:</b>	April 21 and October 21 of each year, beginning April 21, 2011

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*This Pricing Supplement is qualified in its entirety by reference to the Preliminary Offering Memorandum dated October 11, 2010*

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**Trade Date:** October 14, 2010  
**Issue Date:** October 21, 2010  
**Settlement Date:** October 21, 2010 (T+5 business days)

We expect that delivery of the Notes will be made to investors on or about October 21, 2010, which will be the fifth business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

**Distribution:** 144A and Regulation S without registration rights  
**Listing:** Singapore Exchange Securities Trading Limited  
**Initial Purchasers:** Banc of America Securities LLC  
 Credit Suisse Securities (USA) LLC  
**Trustee:** Law Debenture Trust Company of New York  
**Optional Redemption:** Prior to October 21, 2014, the Company may redeem the Notes, in whole but not in part, at a price equal to 100% of the principal amount of the Notes redeemed plus any accrued and unpaid interest and the Applicable Premium.

On and after October 21, 2014, the Company may redeem all or a part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and additional interest, if any, thereon, to the applicable redemption date, if redeemed during the twelve-month period beginning on October 21 of the years indicated below:

Year	Redemption
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*This Pricing Supplement is qualified in its entirety by reference to the Preliminary Offering Memorandum dated October 11, 2010*

	Price
2014.....	103.125%
2015.....	101.563%
2016 and thereafter.....	100.000%

**Optional Redemption upon Qualified Equity Offerings:**

Before October 21, 2013, the Company may redeem up to 35% of the principal amount of the Notes with the Net Cash Proceeds of one or more sales of its Common Stock in an Equity Offering at a redemption price of 106.250% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of Capital Stock.

**CUSIP and ISIN Numbers:**

144A Note:	Reg S Note:
CUSIP: 82934H AF8	CUSIP: 82934H AG6
ISIN: US82934HAF82	ISIN: US82934HAG65

**Denominations:**

US\$2,000 and higher integral multiples of US\$1,000

Other information (including financial information) presented in the Preliminary Offering Memorandum is deemed to have changed to the extent affected by the changes described herein.

This material is confidential and is for your information only and is not intended to be used by anyone other than you. This information does not purport to be a complete description of these Notes or the offering. Please refer to the Preliminary Offering Memorandum for a complete description.

Any disclaimers or other notices that may appear below are not applicable to this communication and should be disregarded. Such disclaimers or other notices were automatically generated as a result of this communication being sent via Bloomberg email or another communication system.

## SCHEDULE D-1

## LIST OF THE SUBSIDIARY GUARANTORS

1. Sino-Panel Holdings Limited (BVI)
2. Sino-Panel (Asia) Inc. (BVI)
3. Sino-Panel (Gaoyao) Ltd. (BVI)
4. SFR (China) Inc. (BVI)
5. Sino-Wood Partners, Limited (H.K.)
6. Sino-Forest Resources Inc. (BVI)
7. Suri-Wood Inc. (BVI)
8. Sino-Plantation Limited (H.K.)
9. Sino-Wood (Guangxi) Limited (H.K.)
10. Sino-Wood (Jiangxi) Limited (H.K.)
11. Sino-Wood (Guangdong) Limited (H.K.)
12. Sino-Global Holdings Inc. (BVI)
13. Sinowin Investments Limited (BVI)
14. Sino-Panel (North East China) Limited (BVI)
15. Sino-Panel [Hunan] Limited (BVI) (formerly known as Comtech Universal Limited)
16. Sino-Panel [Xiangxi] Limited (BVI) (formerly known as Rich Base Worldwide Limited)
17. Sino-Forest Bio-Science Limited (BVI) (formerly known as Sino-Two Limited)
18. Sino-Panel (Guangzhou) Limited (BVI)
19. Sino-Panel [Suzhou] Limited (BVI) (formerly known as Pacific Harvest Holdings Limited)
20. Sino-Panel (Yunnan) Limited (BVI)
21. Sino-Panel (Guangxi) Limited (BVI)
22. Sino-Panel (Guizhou) Limited (BVI)
23. Sino-Panel (Qinzhou) Limited (BVI) (formerly known as Sino-Panel (Jiayu) Ltd.)
24. Sino-Panel (Shaoyang) Limited (BVI)
25. Sino-Panel (Yongzhou) Limited (BVI)
26. Sino-Panel (Fujian) Limited (BVI)
27. Grandeur Winway Ltd. (BVI)
28. Sinowood Limited (Cayman Islands)
29. Sino-Forest Investments Limited (BVI)
30. Sino-Wood (Fujian) Limited (HK)
31. Sino-Panel (North Sea) Limited (BVI)
32. Sino-Panel (Huaibua) Limited (BVI)
33. Amplemax Worldwide Limited (BVI)
34. Ace Supreme International Limited (BVI)
35. Express Point Holdings Limited (BVI)
36. Glory Billion International Limited (BVI)

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37. Smart Sure Enterprises Limited (BVI)
38. Expert Bonus Investment Limited (BVI)
39. Dynamic Profit Holdings Limited (BVI)
40. Alliance Max Limited (BVI)
41. Brain Force Limited (BVI)
42. Cheer Gold Worldwide Limited (BVI)
43. General Excel Limited (BVI)
44. Harvest Wonder Worldwide Limited (BVI)
45. Homix Limited (BVI)
46. Mega Harvest International Limited (BVI)
47. Poly Market Limited (BVI)
48. Prime Kinetic Limited (BVI)
49. Regal Win Capital Limited (BVI)
50. Rich Choice Worldwide Limited (BVI)
51. Sino-Forest International (Barbados) Corporation (Barbados)
52. Sino-Global Management Consulting Inc. (BVI)
53. Sino-Panel (China) Nursery Limited (BVI)
54. Sino-Panel (Russia) Limited (BVI)
55. Sino-Wood Trading Limited (BVI)
56. Sino-Panel Trading Limited (BVI)
57. Trillion Edge Limited (BVI)
58. Value Quest International Limited (BVI)
59. Well Keen Worldwide Limited (BVI)

## SCHEDULE D-2

## LIST OF THE SUBSIDIARIES

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业 ( 广州 ) 有限公司) (PRC)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业 ( 河源 ) 有限公司) (PRC)
3. Sino-Forest (China) Investments Limited (嘉汉林业 ( 中国 ) 投资有限公司) (PRC)
4. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业 ( 苏州 ) 商贸有限公司) (PRC)
5. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业 ( 苏州 ) 有限公司) (PRC)
6. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司) (PRC)
7. Guangxi Guijia Forestry Co., Ltd. (广西桂嘉林业有限公司) (PRC)
8. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司) (PRC)
9. Zhangzhou Jiamin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司) (PRC)
10. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木 ( 苏州 ) 有限公司) (PRC)
11. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情 ( 上海 ) 贸易有限公司) (PRC)
12. Sino-Maple (Shanghai) Co., Ltd. (北美枫情 ( 上海 ) 商贸有限公司) (PRC)
13. Sino-Panel (China) Investments Limited (嘉汉板业 ( 中国 ) 投资有限公司) (PRC)
14. Sino-Panel (Fujian) Co., Ltd. (嘉汉板业 ( 福建 ) 有限公司) (PRC)
15. Guangdong Jiayao Wood Products Development Co., Ltd. (广东嘉耀木业发展有限公司) (PRC)
16. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司) (PRC)
17. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司) (PRC)
18. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd. (湘西自治州嘉熙林业发展有限公司) (PRC)
19. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd. (湖南嘉裕木业 ( 洪江市 ) 有限公司) (PRC) (\* This PRC Subsidiary is in the process of deregistration.)
20. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd. (张家港保税区嘉森国际贸易有限公司) (PRC)
21. Shao yang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司) (PRC)
22. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业 ( 耿马 ) 有限公司) (PRC)
23. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业 ( 广西 ) 发展有限公司) (PRC)
24. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业 ( 鹿寨 ) 有限公司) (PRC)

25. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司) (PRC)
26. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司) (PRC)
27. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司) (PRC)
28. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司) (PRC)
29. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司) (PRC)
30. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司) (PRC)
31. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司) (PRC)
32. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司) (PRC)
33. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司) (PRC)
34. Sino-Panel (Heilongjiang) Trading Co., Ltd. (嘉汉板业(黑龙江)贸易有限公司) (PRC)
35. Jiangxi Jiawei Panel Co., Ltd. (江西嘉维板业有限公司) (PRC)
36. Suzhou City Lvyun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司) (PRC)
37. Beihai Changqing Wooden Co., Ltd. (北海常青木业有限公司) (PRC)
38. Suqian Jiashu Plantings Co., Ltd. (宿迁市嘉沅生态苗木有限公司) (PRC)
39. Sino-Wood (Heyuan) Co., Ltd. (嘉汉木业(河源)有限公司) (PRC)
40. Sino-Global (Guangzhou) Forestry Management Consulting Inc. (嘉汉(广州)林业管理咨询服务有限公司) (PRC)
41. Sino-Panel (Guangzhou) Nursery Co., Limited. (嘉汉板业(广州)苗圃有限公司) (PRC)
42. Sino-Panel (Hunan) Forest Management Co., Ltd. (嘉汉板业(湖南)营林有限公司) (PRC)
43. Sino-Panel (Beihai) Wood Products Co., Ltd. (嘉汉板业(北海)木业有限公司) (PRC)
44. Sino-Panel (Hunan) Development Co., Ltd. (嘉汉板业(湖南)发展有限公司) (PRC)
45. Heilongjiang Jialin Trading Co., Ltd. (黑龙江嘉霖贸易有限公司) (PRC)
46. Guangzhou Pangu Dacheng Wood Co., Ltd. (广州市番禺大成木业有限公司) (PRC)
47. Jiangsu Dayang Wood Co., Ltd. (江苏大阳木业有限公司) (PRC)
48. Anqing Mandra Forestry Limited (安庆曼图林业有限公司) (PRC)
49. Xuancheng Mandra Forestry Limited (宣城曼图林业有限公司) (PRC)
50. Wuhu Mandra Forestry Limited (芜湖曼图林业有限公司) (PRC)
51. Mandra Forestry (Jiangxi) Limited (曼图林业(江西)有限公司) (PRC)



52. Yihuang Mandra Forestry Limited (宜黄曼图林业有限公司) (PRC)
53. Huanggang Mandra Forestry Limited (黄冈曼图林业有限公司) (PRC)
54. Zixi Mandra Forestry Limited (资溪曼图林业有限公司) (PRC) (\*This PRC Subsidiary is a Sino-foreign equity joint venture company)
55. Dynamic Profit Holdings Limited (BVI)
56. Grandeur Winway Limited (BVI)
57. SFR (China) Inc. (BVI)
58. Sino-Capital Global Inc. (BVI)
59. Sino-Forest Investments Limited (BVI)
60. Sino-Forest Bio-Science Limited (BVI)
61. Sino-Forest Resources Inc. (BVI)
62. Sino-Global Holdings Inc. (BVI)
63. Sino-Panel (Asia) Inc. (BVI)
64. Sino-Panel (Fujian) Limited (BVI)
65. Sino-Panel (Gaoyao) Ltd. (BVI)
66. Sino-Panel (Guangxi) Limited (BVI)
67. Sino-Panel (Guangzhou) Limited (BVI)
68. Sino-Panel (Guizhou) Limited (BVI)
69. Sino-Panel Holdings Limited (BVI)
70. Sino-Panel (Huaihua) Limited (BVI)
71. Sino-Panel [Hunan] Limited (BVI)
72. Sino-Panel (North East China) Limited (BVI)
73. Sino-Panel (North Sea) Limited (BVI)
74. Sino-Panel (Qinzhou) Limited (BVI)
75. Sino-Panel (Shaoyang) Limited (BVI)
76. Sino-Panel [Suzhou] Limited (BVI)
77. Sino-Panel [Xiangxi] Limited (BVI)
78. Sino-Panel (Yongzhou) Limited (BVI)
79. Sino-Panel (Yunnan) Limited (BVI)
80. Sinowin Investments Limited (BVI)
81. Suri-Wood Inc. (BVI)
82. Ampmax Worldwide Limited (BVI)
83. Glory Billion International Limited (BVI)
84. Smart Sure Enterprises Limited (BVI)
85. Expert Bonus Investment Limited (BVI)
86. Ace Supreme International Limited (BVI)
87. Express Point Holdings Limited (BVI)
88. Sino-Wood (Jiangxi) Limited (HK)
89. Sino-Wood (Guangdong) Limited (HK)
90. Sino-Wood (Fujian) Limited (HK)

91. Sino-Wood Partners, Limited (HK)
92. Sino-Plantation Limited (HK)
93. Sino-Wood (Guangxi) Limited (HK)
94. Sinowood Limited (Cayman Islands)
95. Omnicorp Limited (Bermuda)
96. Greenheart Resources Holdings Limited (BVI)
97. Silver Mount Group Limited (BVI)
98. Mandra Forestry Holdings Limited (BVI)
99. Mandra Forestry Finance Limited (BVI)
100. Mandra Forestry Anhui Limited (BVI)
101. Mandra Forestry Hubei Limited (HK)
102. Alliance Max Limited (BVI)
103. Brain Force Limited (BVI)
104. Cheer Gold Worldwide Limited (BVI)
105. General Excel Limited (BVI)
106. Harvest Wonder Worldwide Limited (BVI)
107. Homix Limited (BVI)
108. Mega Harvest International Limited (BVI)
109. Poly Market Limited (BVI)
110. Prime Kinetic Limited (BVI)
111. Regal Win Capital Limited (BVI)
112. Rich Choice Worldwide Limited (BVI)
113. Sino-Forest International (Barbados) Corporation (Barbados)
114. Sino-Global Management Consulting Inc. (BVI)
115. Sino-Panel (China) Nursery Limited (BVI)
116. Sino-Panel (Russia) Limited (BVI)
117. Sino-Panel Trading Limited (BVI)
118. Trillion Edge Limited (BVI)
119. Value Quest International Limited (BVI)
120. Well Keen Worldwide Limited (BVI)
121. Sino-Wood Trading Limited (BVI)

## SCHEDULE D-3

## LIST OF THE NON-GUARANTOR SUBSIDIARIES

1. Sino-Forest (Guangzhou) Co., Ltd. (嘉汉林业 ( 广州 ) 有限公司) (PRC)
2. Sino-Forest (Heyuan) Co., Ltd. (嘉汉林业 ( 河源 ) 有限公司) (PRC)
3. Sino-Forest (China) Investments Limited (嘉汉林业 ( 中国 ) 投资有限公司) (PRC)
4. Sino-Forest (Suzhou) Trading Co., Ltd. (嘉汉林业 ( 苏州 ) 商贸有限公司) (PRC)
5. Jiafeng Wood (Suzhou) Co., Ltd. (嘉丰木业 ( 苏州 ) 有限公司) (PRC)
6. Jiangxi Jiachang Forestry Development Co., Ltd. (江西嘉昌林业发展有限公司) (PRC)
7. Guangxi Gujia Forestry Co., Ltd. (广西桂嘉林业有限公司) (PRC)
8. Gaoyao Jiayao Forestry Development Co., Ltd. (高要嘉耀林业发展有限公司) (PRC)
9. Zhangzhou Jiamin Forestry Development Co., Ltd. (漳州嘉闽林业发展有限公司) (PRC)
10. Sinowin Plantings (Suzhou) Co., Ltd. (嘉汉城市生态苗木 ( 苏州 ) 有限公司) (PRC)
11. Sino-Maple (Shanghai) Trading Co., Ltd. (嘉汉枫情 ( 上海 ) 贸易有限公司) (PRC)
12. Sino-Maple (Shanghai) Co., Ltd. (北美枫情 ( 上海 ) 商贸有限公司) (PRC)
13. Sino-Panel (China) Investments Limited (嘉汉板业 ( 中国 ) 投资有限公司) (PRC)
14. Sino-Panel (Fujian) Co., Ltd. (嘉汉板业 ( 福建 ) 有限公司) (PRC)
15. Guangdong Jiayao Wood Products Development Co., Ltd. (广东嘉耀木业发展有限公司) (PRC)
16. Heilongjiang Jiamu Panel Co., Ltd. (黑龙江嘉穆板业有限公司) (PRC)
17. Hunan Jiayu Wood Products Co., Ltd. (湖南嘉裕木业有限公司) (PRC)
18. Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd. (湘西自治州嘉照林业发展有限公司) (PRC)
19. Hunan Jiayu Wood Products (Hongjiang) Co., Ltd. (湖南嘉裕木业 ( 洪江市 ) 有限公司) (PRC) (\* This PRC Subsidiary is in the process of deregistration.)
20. Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd. (张家港保税区嘉森国际贸易有限公司) (PRC)
21. Shaoyang Jiading Wood Products Co., Ltd. (邵阳嘉鼎木业有限公司) (PRC)
22. Sino-Panel (Gengma) Co., Ltd. (嘉汉板业 ( 耿马 ) 有限公司) (PRC)
23. Sino-Panel (Guangxi) Development Co., Ltd. (嘉汉板业 ( 广西 ) 发展有限公司) (PRC)

24. Sino-Panel (Luzhai) Co., Ltd. (嘉汉板业(鹿寨)有限公司) (PRC)
25. Sino-Panel (Sanjiang) Co., Ltd. (嘉汉板业(三江)有限公司) (PRC)
26. Sino-Panel (Beihai) Development Co., Ltd. (嘉汉板业(北海)发展有限公司) (PRC)
27. Hunan Jiayu Wood Products (Zhijiang) Co., Ltd. (湖南嘉裕木业(芷江)有限公司) (PRC)
28. Sino-Panel (Jianghua) Co., Ltd. (嘉汉板业(江华)有限公司) (PRC)
29. Sino-Panel (Yuanling) Co., Ltd. (嘉汉板业(沅陵)有限公司) (PRC)
30. Sino-Panel (Guangzhou) Trading Co., Ltd. (嘉汉板业(广州)商贸有限公司) (PRC)
31. Sino-Biotechnology (Guangzhou) Co., Ltd. (嘉汉生物科技(广州)有限公司) (PRC)
32. Sino-Panel (Hezhou) Co., Ltd. (嘉汉板业(贺州)有限公司) (PRC)
33. Sino-Panel (Yunnan) Trading Co., Ltd. (嘉汉板业(云南)贸易有限公司) (PRC)
34. Sino-Panel (Heilongjiang) Trading Co., Ltd. (嘉汉板业(黑龙江)贸易有限公司) (PRC)
35. Jiangxi Jiawei Panel Co., Ltd. (江西嘉维板业有限公司) (PRC)
36. Suzhou City Lvyun Garden Engineering Co., Ltd. (苏州市绿韵园林工程有限公司) (PRC)
37. Beihai Changqing Wooden Co., Ltd. (北海常青木业有限公司) (PRC)
38. Suqian Jiashu Plantings Co., Ltd. (宿迁市嘉沛生态苗木有限公司) (PRC)
39. Sino-Wood (Heyuan) Co., Ltd. (嘉汉木业(河源)有限公司) (PRC)
40. Sino-Global (Guangzhou) Forestry Management Consulting Inc. (嘉汉(广州)林业管理咨询服务有限公司) (PRC)
41. Sino-Panel (Guangzhou) Nursery Co., Limited. (嘉汉板业(广州)苗圃有限公司) (PRC)
42. Sino-Panel (Hunan) Forest Management Co., Ltd. (嘉汉板业(湖南)营林有限公司) (PRC)
43. Sino-Panel (Beihai) Wood Products Co., Ltd. (嘉汉板业(北海)木业有限公司) (PRC)
44. Sino-Panel (Hunan) Development Co., Ltd. (嘉汉板业(湖南)发展有限公司) (PRC)
45. Heilongjiang Jialin Trading Co., Ltd. (黑龙江嘉霖贸易有限公司) (PRC)
46. Guangzhou Pangu Dacheng Wood Co., Ltd. (广州市番禺大成木业有限公司) (PRC)
47. Jiangsu Dayang Wood Co., Ltd. (江苏大阳木业有限公司) (PRC)
48. Anqing Mandra Forestry Limited (安庆曼图林业有限公司) (PRC)
49. Xuancheng Mandra Forestry Limited (宣城曼图林业有限公司) (PRC)
50. Wuhu Mandra Forestry Limited (芜湖曼图林业有限公司) (PRC)

51. Mandra Forestry (Jiangxi) Limited (曼图林业(江西)有限公司) (PRC)
52. Yihuang Mandra Forestry Limited (宜黄曼图林业有限公司) (PRC)
53. Huanggang Mandra Forestry Limited (黄冈曼图林业有限公司) (PRC)
54. Zixi Mandra Forestry Limited (资溪曼图林业有限公司) (PRC)  
(\*This PRC Subsidiary is a Sino-foreign equity joint venture company)
55. Sino-Capital Global Inc. (BVI)
56. Mandra Forestry Holdings Limited (BVI)
57. Mandra Forestry Finance Limited (BVI)
58. Mandra Forestry Anhui Limited (BVI)
59. Mandra Forestry Hubei Limited (HK)
60. Omnicorp Limited (Bermuda)
61. Silver Mount Group Limited (BVI)
62. Greenheart Resources Holdings Limited (BVI)

## SCHEDULE D-4

## LIST OF THE SUBSIDIARY GUARANTOR PLEDGORS

1. Sino-Global Holdings Inc. (BVI)
2. Sino-Wood Partners, Limited (HK)
3. Sinowood Limited (Cayman Islands)
4. Sino-Plantation Limited (HK)
5. Suri-Wood Inc. (BVI)
6. Sino-Panel (Asia) Inc. (BVI)
7. Sino-Panel Holdings Limited (BVI)
8. Dynamic Profit Holdings Limited (BVI)
9. Sino-Forest International (Barbados) Corporation (Barbados)

SCHEDULE B  
SECURITY DOCUMENTS

**Part I. List of Share Pledges**

1. An amendment and restatement agreement (Hong Kong law) between the Company, Sino-Wood Partners Limited, Sino-Plantation Limited and the Security Trustee relating to the amendment and restatement of a share charge originally dated September 28, 2004 (as amended from time to time) dated on or around the Closing Date.
2. An amendment and restatement agreement (Hong Kong law) between Sino-Capital Global Inc, Sinowood Limited and the Security Trustee relating to the amendment and restatement of a share charge originally dated November 22, 2006 (as amended from time to time) dated on or around the Closing Date.
3. An amendment and restatement agreement (Hong Kong law) between Suri-wood Inc. and the Security Trustee relating to the amendment and restatement of a share charge originally dated July 27, 2009 (as amended from time to time) dated on or around the Closing Date.
4. An amendment and restatement agreement (New York law) between the Company, Sino-Panel Holdings Limited, Sino-Panel (Asia) Inc. (BVI), Dynamic Profit Holdings Limited (BVI), Sino-Global Holdings Inc. (BVI), Sino-Capital Global Inc. (BVI), Sino-Forest International (Barbados) Corporation, Suri-Wood Inc. (BVI) and the Security Trustee relating to the amendment and restatement of a share charge originally dated September 28, 2004 (as amended from time to time) dated on or around the Closing Date.
5. A share charge (Barbados law) between the Company, Sino-Forest International (Barbados) Corporation and the Security Trustee dated October 8, 2010.

**Part II. Intercreditor Agreement**

An amendment and restatement agreement (English law) between, amongst others, the Trustee and the Security Trustee relating to the amendment and restatement of an intercreditor agreement originally dated February 24, 2006 (as amended from time to time) dated on or around the Closing Date.

## SCHEDULE F

### PERFECTION REQUIREMENTS

#### A. New York Perfection Requirements

Filing of UCC-1 financing statements for each of the Company and the Subsidiary Guarantor Pledgors in respect of the applicable Collateral.

#### B. Hong Kong Perfection Requirements

1. The amendment and restatement agreement (Hong Kong law) between the Company, Sino-Wood Partners Limited, Sino-Plantation Limited and the Security Trustee relating to the amendment and restatement of a share charge originally dated 28 September 2004 (as amended from time to time) dated on or around the Closing Date, may require registration at the Companies Registry under section 80 of the Companies Ordinance (Cap. 32) (as amended). Prescribed particulars of the registrable charges and a signed copy of the amendment and restatement agreement should be delivered for registration within five (5) weeks of the date of such document.

2. The remaining Hong Kong law documents shall not require registration provided that each company which enters into such document is not registered under Part XI of the Companies Ordinance (Cap. 32) (as amended) on the date of the relevant amendment and restatement agreement.

#### C. Ontario Perfection Requirements

Filing of financing statement under the Personal Property Security Act (Ontario) against the Company in respect of the applicable Collateral.

#### D. British Virgin Islands Perfection Requirements

1. Updating the Register of Mortgages and Charges of each BVI Subsidiary Guarantor Pledgor to reflect the Share Pledges.

2. Registration or variation of existing entries at the Registrar of Corporate Affairs in the British Virgin Islands of the Share Pledges in respect of each BVI Subsidiary Guarantor Pledgor in the Register of Charges pursuant to Section 163 of the BVI Business Companies Act, 2004.

3. Notation pursuant to Section 66(8) of the BVI Business Companies Act, 2004 to be made on the respective Register of Members of those Subsidiary Guarantors the shares of which have been pledged as Collateral by the BVI Subsidiary Guarantor Pledgors under the Share Pledges and such annotated Register of Members to be filed with the BVI Registry of Corporate Affairs.

#### E. Cayman Islands Perfection Requirements

Updating the Register of Mortgages and Charges of Sinowood Limited to reflect the amendment and restatement of the share charge originally dated November 22, 2006.

#### F. Barbados Perfection Requirements

Where a charge is created by a company, the company must, within 28 days after the creation of the charge, lodge with the Registrar of Corporate Affairs a statement of the charge and



- (a) any instrument by which the charge is created or evidenced; or
- (b) a copy of the instrument together with a statutory declaration verifying the execution of the charge and also verifying the copy as being a true copy of the instrument;

and if this provision is not complied with in relation to the charge, the charge is void so far as any security interest it thereby purported to create.

Exhibit A-1

FORM OF OPINION OF AIRD & BERLIS LLP  
TO BE DELIVERED PURSUANT TO  
SECTION 5(a)

[DELETED TEXT - FORM OF OPINION]

Exhibit A-2

FORM OF OPINION OF  
LINKLATERS  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

[DELETED TEXT - FORM OF OPINION]

## Exhibit A-3

FORM OF OPINION OF  
APPLEBY  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

[DELETED TEXT - FORM OF OPINION]

Exhibit A-4

FORM OF OPINION OF  
CHANCERY CHAMBERS  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

[DELETED TEXT - FORM OF OPINION]

Exhibit A-5

FORM OF OPINION OF  
JINGTIAN & GONGCHENG  
TO BE DELIVERED PURSUANT TO SECTION 5(a)

[DELETED TEXT – FORM OF OPINION]

Exhibit A-6

FORM OF OPINION OF  
DAVIS POLK & WARDWELL LLP  
TO BE DELIVERED PURSUANT TO SECTION 5(b)

[DELETED TEXT – FORM OF OPINION]

## Exhibit A-7

FORM OF OPINION OF  
COMMERCE & FINANCE LAW OFFICES  
TO BE DELIVERED PURSUANT TO SECTION 5(b)

[DELETED TEXT – FORM OF OPINION]



## Exhibit B

## FORM OF CEO/CFO CERTIFICATE

We, Chan Tak Yuen, Chief Executive Officer of Sino-Forest Corporation (the "Company"), a company continued under the *Canada Business Corporations Act*, and David J. Horsley, Chief Financial Officer of the Company, on behalf of the Company and do hereby certify, without personal liability, that:

1. We are providing this certificate in connection with the offering of US\$600 million [coupon]% Guaranteed Senior Notes due 2017 of the Company (the "Offering"). In connection with the Offering, the Company and the Subsidiary Guarantors have executed a purchase agreement dated October 14, 2010 (the "Purchase Agreement") with the Initial Purchasers listed therein, for whom BAML and Credit Suisse are acting as representatives. Capitalized terms used but not defined herein are used with the meanings assigned to them in the Purchase Agreement.

2. We are familiar with the accounting, operations, records systems and internal controls of the Company.

3. With respect to the period from July 1, 2010 to October 19, 2010:

(a) Nothing has come to our attention that has caused us to believe that:

(i) as at October 12, 2010, there was any decrease in the share capital or shareholders' equity, or increase in the long-term debt of the Company as compared with the corresponding amounts shown on the June 30, 2010 unaudited consolidated balance sheet included in the Offering Memorandum; or

(ii) there were any material decreases in revenue, gross profit, income from operations, income before income taxes, net income or retained earnings for the period from July 1, 2010 to October 12, 2010, as compared with the corresponding period in the preceding year.

(b) And nothing has come to our attention that has caused us to believe that:

(i) as at October 19, 2010, there was any decrease in the share capital or shareholders' equity, or increase in the long-term debt of the Company as compared with the corresponding amounts shown on the June 30, 2010 unaudited consolidated balance sheet included in the Offering Memorandum; or

(ii) there were any material decreases in revenue, gross profit, income from operations, income before income taxes, net income or retained earnings for the period from July 1, 2010 to October 19, 2010, as compared with the corresponding period in the preceding year.

4. We have read the items identified on the pages of the Disclosure Package and the Final Offering Memorandum attached hereto as Exhibit I and we, or other employees of the Company, have performed the following procedures, which were applied as indicated with respect to the symbols explained below:

- A. Compared to corresponding amounts derived from the Company's audited annual consolidated financial statements included in the Disclosure Package and the Final Offering Memorandum, and found them to be in agreement.
- B. Compared to the corresponding amounts derived from the Company's unaudited quarterly consolidated financial statements included in the Disclosure Package and the Final Offering Memorandum, and found them to be in agreement.
- C. Compared the corresponding amounts, percentages and ratios to corresponding amounts and ratios in schedules or analyses prepared from the Company's accounting records, attached hereto as Exhibit II, and found them to be in agreement.

This certificate is being furnished to the Initial Purchasers solely to assist them in conducting their "due diligence" investigation of the disclosure concerning the Company and its subsidiaries in connection with the Offering. This certificate may not be used for any other purposes or relied upon by any other person without our prior written consent.

IN WITNESS WHEREOF, on behalf of the Company (and without personal liability), we hereby set our hands this October 21, 2010.

---

Chan Tak Yuen  
Chief Executive Officer

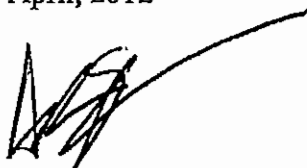
---

Dave J. Horsley  
Chief Financial Officer

TAB H

# TAB H

This is Exhibit "H" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'ASLAVENS', with a long horizontal flourish extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.



Bennett Jones LLP  
3400 One First Canadian Place, PO Box 130  
Toronto, Ontario, Canada M5X 1A4  
Tel: 416.863.1200 Fax: 416.863.1716

Robert W. Staley  
Direct Line: 416.777.4857  
e-mail: staley@bennettjones.com  
Our File No.: 59250.8

April 4, 2012

**Delivered By Courier**

The Honourable Justice Paul M. Perell  
Ontario Superior Court of Justice  
Judge's Administration  
Room 170  
361 University Avenue  
Toronto Ontario  
M5G 1T3

Dear Justice Perell:

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

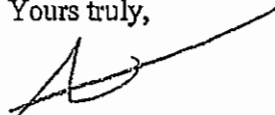
As you know, we act for Sino-Forest Corporation ("Sino-Forest") and some of the individual defendants in the above-noted class action. On Friday March 30, 2012, Sino-Forest filed for protection under the *Companies' Creditors Arrangement Act* (the "CCAA"). On that day Justice Morawetz granted an initial order under the CCAA. A copy of the initial order is attached.

Paragraph 17 of the initial order provides for a stay of proceedings against Sino-Forest. Paragraph 24 of the initial order provides for a stay of proceedings against current or former directors and officers of Sino-Forest. All of the individual defendants in the class action are current or former directors or officers of Sino-Forest. We write to inform the court that, as a result of the initial order, the class action has been stayed as against Sino-Forest and all of the individual defendants.

April 4, 2012  
Page Two

In view of the stay order, and for so long as the stay is in effect, our clients do not intend to participate in the class action.

Yours truly,



Robert W. Staley

RWS/jm  
Enclosures

cc: Service List (by email)  
cc: Michael Elzonga, Bennett Jones LLP (by email)  
cc: Eric Hoaken, Bennett Jones LLP (by email)  
cc: Derek Bell, Bennett Jones LLP (by email)

WSLegal\059250\00008\7704098vt



# TAB I



**TAB I**

This is Exhibit "I" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'AS', with a long horizontal line extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.

Osler, Hoskin & Harcourt LLP  
 Box 50, 1 First Canadian Place  
 Toronto, Ontario, Canada M5X 1B8  
 416.362.2111 MAIN  
 416.862.6666 FACSIMILE

# OSLER

Toronto  
 Montréal  
 Calgary  
 Ottawa  
 New York

April 16, 2012

Larry Lowenstein  
 Direct Dial: 416.862.6454  
 llowenstein@osler.com  
 Our Matter Number: 1133983

**SENT BY E-MAIL AND COURIER**

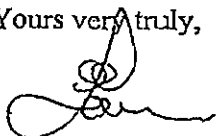
The Honourable Justice Paul M. Perell  
 Ontario Superior Court of Justice  
 Judge's Administration  
 Room 170  
 361 University Avenue  
 Toronto Ontario  
 M5G 1T3

Dear Justice Perell:

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

As you are aware, we represent three current members and one former member of the Board of Directors of Sino-Forest Corporation ("Sino-Forest") in the class proceeding noted above, namely, William E. Ardell, James P. Bowland, James M.E. Hyde and Garry J. West. We write further to Robert Staley's letter of April 4, 2012 regarding the effect of the Initial Order issued by Justice Morawetz under the *Companies' Creditors Arrangement Act*. As Mr. Staley indicated in his letter, the Initial Order provides for a stay of proceedings against the current and former directors of Sino-Forest, including our clients. In light of the operation of the stay of proceedings pursuant to the terms of the initial order, our clients do not intend to participate in the class proceeding.

Yours very truly,



Larry Lowenstein  
 LL:

- c. Service List (by e-mail)  
 Craig Lockwood / Geoffrey Grove, *Osler* (by e-mail)

## OSLER

Page 2

Service List

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## OSLER

Page 3

- cc: Koskie Minsky LLP  
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(Lawyers for the Plaintiffs)

**TAB J**

# TAB J

This is Exhibit "J" referred to in the  
Affidavit of Rebecca Wise  
Sworn before me, this 23<sup>rd</sup>  
day of April, 2012

A handwritten signature in black ink, appearing to read 'ASL', with a long horizontal stroke extending to the right.

A Commissioner, Etc.

**ADAM MARCUS SLAVENS**  
Barrister and Solicitor, Notary  
Public for the Province of Ontario  
My Commission is unlimited as to time.





MILLER THOMSON LLP  
MILLERTHOMSON.COM

SCOTIA PLAZA + 40 KING STREET WEST, SUITE 5800  
P.O. BOX 1011 + TORONTO, ON + M5H 3S1 + CANADA

T 416.595.8600  
F 416.595.8695

April 10, 2012

The Honourable Justice Perell  
Ontario Superior Court of Justice  
Judge's Administration  
361 University Avenue  
Toronto, ON M5G 1T3

Emily Cole  
Direct Line: 416.595.8640  
Direct Fax: 416.595.8695  
ecole@millerthomson.com

Your Honour:

Re: *Trustees of the Labourers Pension Fund et al. v. Sino-Forest Corp. et al.*  
Ontario Superior Court File No. CV-11-431153-00CP

Further to Mr. Staley's April 4, 2011 letter to you with the CCAA Initial Order attached, we confirm that Mr. Chan does not intend to participate in the class action.

Yours truly,

MILLER THOMSON LLP

Per: 

Emily Cole  
ECC/sb

- cc: Koskie Minsky LLP  
Attention: Kirk Baert and Jonathan Bida
- Cc: Siskinds LLP  
Attention: Dimitri Lascaris and Charles Wright
- cc: Bennett Jones LLP  
Attention: Rob Staley, Michael Eizenga and Derek Bell  
(Lawyers for Sino-Forest Corporation, W. Judson Martin, Kai Kit Poon, Edmund Mak and Simon Murray)
- cc: Lenczner Slaght Royce Smith Griffin LLP  
Attention: Peter Griffin, Peter Osborne, Linda Fuerst and Shara Roy  
(Lawyers for Ernst and Young LLP)

VANCOUVER CALGARY EDMONTON SASKATOON REGINA LONDON KITCHENER-WATERLOO GUELPH TORONTO MARKHAM MONTRÉAL

- cc: Affleck Greene McMurtry LLP  
Attention: Peter Greene, Ken Dekker and Michelle Booth  
(Lawyers for BDO Limited)
- cc: Wardle Daley Bernstein LLP  
Attention: Peter Wardle and Simon Bieber  
(Lawyers for David Horsely)
- cc: Oster, Hoskin & Harcourt LLP  
Attention: Larry P. Lowenstein, Craig Lockwood and Geoffrey Grove  
(Lawyers for William E. Ardell, James P. Bowland, James M.E. Hyde, Garry J. West)
- cc: Baker & McKenzie LLP  
Attention: John Pirie and David Gadsden  
(Lawyers for Poyry (Beijing) Consulting Company Limited)
- cc: Torys LLP  
Attention: Sheila Block, John Fabello and Andrew Gray  
(Lawyers for the Underwriters)



**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
(Commercial List)

Proceeding commenced at Toronto

**AFFIDAVIT OF**  
**REBECCA L. WISE**  
(sworn April 23, 2012))

**Torys LLP**

79 Wellington Street West  
Suite 300, TD Centre  
Toronto, Ontario M5K 1N2

Fax: 416.865.7380

**John Fabello (LSUC#: 35449W)**

Tel: 416.865.8228

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**Andrew Gray (LSUC#: 46626V)**

Tel: 416.865.7630

Email : [agray@torys.com](mailto:agray@torys.com)

Lawyers for the Underwriters  
named in Class Actions

**TAB 5**

Court File No. CV-12-9667-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

**AFFIDAVIT OF ELIZABETH FIMIO  
(Sworn June 8, 2012)**

I, **ELIZABETH FIMIO**, of the City of Burlington, in the Regional Municipality of Halton, **MAKE OATH AND SAY:**

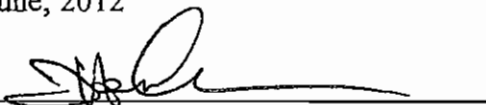
1. I am an assistant of Bennett Jones LLP, counsel for Sino-Forest Corporation ("SFC"). I therefore have personal knowledge of the matters set out below, except where otherwise stated. Where I do not possess personal knowledge, I have stated the source of my information and I believe such information to be true.
2. SFC and certain of its current and former officers, directors and employees, along with SFC's current and former auditors, technical consultants and various underwriters involved in prior equity and debt offerings, have been named as defendants in class actions in Ontario, Quebec, Saskatchewan and New York.
3. A copy of this Fresh as Amended Statement of Claim in the Ontario class action is attached as Exhibit "A".

4. Copies of the originating documents in the Quebec and Saskatchewan class actions are attached as Exhibits "B" and "C" respectively.
5. A copy of the complaint in the New York class action is attached as Exhibit "D".

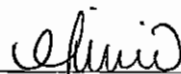
#### **SUPPORT OF THE NOTEHOLDERS**

6. On June 8, 2012, SFC issued a press release advising that as of that date, noteholders holding in excess of \$1,296,000 and approximately 72% of the total debt of approximately \$1.8 billion of SFC's noteholder debt have executed written support agreements to support the plan outlined in the announced SFC CCAA plan dated March 30, 2012. A copy of the June 8, 2012 press release is attached as Exhibit "E".

SWORN BEFORE ME at the City of )  
 Toronto, in the Province of Ontario, this 8<sup>th</sup> )  
 day of June, 2012 )



**Daniel Holden**  
*Barrister & Solicitor*



**Elizabeth Fimio**

**TAB A**

THIS IS EXHIBIT "A" TO  
THE AFFIDAVIT OF ELIZABETH FIMIO  
SWORN JUNE 8, 2012

A handwritten signature in black ink, appearing to read 'D. Holden', is written over a horizontal line.

A Commissioner, etc.

**Daniel Holden**  
*Barrister & Solicitor*



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

ONTARIO  
SUPERIOR COURT OF JUSTICE

BETWEEN:

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

Plaintiffs

- and -

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

Defendants

Proceeding under the *Class Proceedings Act, 1992*

FRESH AS AMENDED STATEMENT OF CLAIM  
(NOTICE OF ACTION ISSUED JULY 20, 2011)

AMENDED THIS / MODIFIÉ CE April 18/12 PURSUANT TO / CONFORMÉMENT A  
 RULE/LA RÈGLE 28.02  
 THE ORDER OF / L'ORDONNANCE DU Mr. J. Petell  
DATED / FAIT LE March 26, 2012  
REGISTRAR / SUPERIOR COURT OF JUSTICE     GREFFIER / COUR SUPÉRIEURE DE JUSTICE

S. Chandradet  
Registrar

**TO: Sino-Forest Corporation**  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: David Horsley**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: Allen Chan**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: William Ardell**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: James Bowland**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: James Hyde**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: Edmund Mak**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: W. Judson Martin**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

**AND TO: Simon Murray**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3

- AND TO: Kai Kit Poon**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3
- AND TO: Peter Wang**  
Sino-Forest Corporation  
1208-90 Burnhamthorpe Rd W  
Mississauga, ON L5B 3C3
- AND TO: Garry West**  
Sino-Forest Corporation  
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- AND TO: Ernst & Young LLP**  
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- AND TO: BDO Limited**  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong, China
- AND TO: Pöyry (Beijing) Consulting Company Limited**  
2208-2210 Cloud 9 Plaza  
No. 1118 West Yan'an Road  
Shanghai 200052  
PR CHINA
- AND TO: Credit Suisse Securities (Canada), Inc.**  
1 First Canadian Place  
100 King Street West, Suite 2900  
Toronto, Ontario M5X 1C9
- AND TO: TD Securities Inc.**  
66 Wellington Street West  
P.O. Box 1, TD Bank Tower  
Toronto, Ontario M5K 1A2
- AND TO: Dundee Securities Corporation**  
1 Adelaide Street East  
Toronto, ON M5C 2V9

- AND TO: RBC Dominion Securities Inc.**  
155 Wellington Street West, 17<sup>th</sup> Floor  
Toronto, Ontario M5V 3K7
- AND TO: Scotia Capital Inc.**  
40 King Street West, Scotia Plaza  
P.O. Box 4085, Station A  
Toronto, Ontario M5W 2X6
- AND TO: CIBC World Markets Inc.**  
161 Bay Street, Brookfield Place  
P.O. Box 500  
Toronto, Ontario M5J 2S8
- AND TO: Merrill Lynch Canada Inc.**  
BCE Place, Wellington Tower  
181 Bay Street, 4<sup>th</sup> and 5<sup>th</sup> Floors  
Toronto, Ontario M5J 2V8
- AND TO: Canaccord Financial Ltd.**  
161 Bay Street, Suite 2900  
P.O. Box 516  
Toronto, Ontario M5J 2S1
- AND TO: Maison Placements Canada Inc.**  
130 Adelaide Street West, Suite 906  
Toronto, Ontario M5H 3P5
- AND TO: Credit Suisse Securities (USA) LLC**  
Eleven Madison Avenue  
New York, NY 10010
- AND TO: Merrill Lynch, Pierce, Fenner & Smith Incorporated**  
100 N. Tryon St., Ste. 220  
Charlotte, NC 28255

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## I. DEFINED TERMS

1. In this Statement of Claim, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:
  - (a) “AP” means Authorized Intermediary;
  - (b) “AIF” means Annual Information Form;

- (c) "Ardell" means the defendant William E. Ardell;
- (d) "Banc of America" means the defendant Merrill Lynch, Pierce, Fenner & Smith Incorporated;
- (e) "BDO" means the defendant BDO Limited;
- (f) "Bowland" means the defendant James P. Bowland;
- (g) "BVI" means British Virgin Islands;
- (h) "Canaccord" means the defendant Canaccord Financial Ltd.;
- (i) "CBCA" means the *Canada Business Corporations Act*, RSC 1985, c. C-44, as amended;
- (j) "Chan" means the defendant Allen T.Y. Chan also known as "Tak Yuen Chan";
- (k) "CIBC" means the defendant CIBC World Markets Inc.;
- (l) "CJA" means the *Ontario Courts of Justice Act*, RSO 1990, c C-43, as amended;
- (m) "Class" and "Class Members" all persons and entities, wherever they may reside who acquired Sino's Securities during the Class Period by distribution in Canada or on the Toronto Stock Exchange or other secondary market in Canada, which includes securities acquired over-the-counter, and all persons and entities who acquired Sino's Securities during the Class Period who are resident of Canada or were resident of Canada at the time of acquisition and who acquired Sino's Securities outside of Canada, except the Excluded Persons;
- (n) "Class Period" means the period from and including March 19, 2007 to and including June 2, 2011;
- (o) "Code" means Sino's Code of Business Conduct;
- (p) "CPA" means the *Ontario Class Proceedings Act, 1992*, SO 1992, c 6, as amended;



- (q) **“Credit Suisse”** means the defendant Credit Suisse Securities (Canada), Inc.;
- (r) **“Credit Suisse USA”** means the defendant Credit Suisse Securities (USA) LLC;
- (s) **“Defendants”** means Sino, the Individual Defendants, Pöyry, BDO, E&Y and the Underwriters;
- (t) **“December 2009 Offering Memorandum”** means Sino’s Final Offering Memorandum, dated December 10, 2009, relating to the distribution of Sino’s 4.25% Convertible Senior Notes due 2016 which Sino filed on SEDAR on December 11, 2009;
- (u) **“December 2009 Prospectus”** means Sino’s Final Short Form Prospectus, dated December 10, 2009, which Sino filed on SEDAR on December 11, 2009;
- (v) **“Dundee”** means the defendant Dundee Securities Corporation;
- (w) **“E&Y”** means the defendant, Ernst and Young LLP;
- (x) **“Excluded Persons”** means the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is a member of the immediate family of an Individual Defendant;
- (y) **“Final Report”** means the report of the IC, as that term is defined in paragraph 10 hereof;
- (z) **“GAAP”** means Canadian generally accepted accounting principles;
- (aa) **“GAAS”** means Canadian generally accepted auditing standards;
- (bb) **“Horsley”** means the defendant David J. Horsley;
- (cc) **“Hyde”** means the defendant James M.E. Hyde;
- (dd) **“Impugned Documents”** mean the 2005 Annual Consolidated Financial Statements (filed on SEDAR on March 31, 2006), Q1 2006 Financial Statements

(filed on SEDAR on May 11, 2006), the 2006 Annual Consolidated Financial Statements (filed on SEDAR on March 19, 2007), 2006 AIF (filed on SEDAR on March 30, 2007), 2006 Annual MD&A (filed on SEDAR on March 19, 2007), Management Information Circular dated April 27, 2007 (filed on SEDAR on May 4, 2007), Q1 2007 MD&A (filed on SEDAR on May 14, 2007), Q1 2007 Financial Statements (filed on SEDAR on May 14, 2007), **June 2007 Prospectus**, Q2 2007 MD&A (filed on SEDAR on August 13, 2007), Q2 2007 Financial Statements (filed on SEDAR on August 13, 2007), Q3 2007 MD&A (filed on SEDAR on November 12, 2007), Q3 2007 Financial Statements (filed on SEDAR on November 12, 2007), 2007 Annual Consolidated Financial Statements (filed on SEDAR on March 18, 2008), 2007 AIF (filed on SEDAR on March 28, 2008), 2007 Annual MD&A (filed on SEDAR on March 18, 2008), Amended 2007 Annual MD&A (filed on SEDAR on March 28, 2008), Management Information Circular dated April 28, 2008 (filed on SEDAR on May 6, 2008), Q1 2008 MD&A (filed on SEDAR on May 13, 2008), Q1 2008 Financial Statements (filed on SEDAR on May 13, 2008), **July 2008 Offering Memorandum**, Q2 2008 MD&A (filed on SEDAR on August 12, 2008), Q2 2008 Financial Statements (filed on SEDAR on August 12, 2008), Q3 2008 MD&A (filed on SEDAR on November 13, 2008), Q3 2008 Financial Statements (filed on SEDAR on November 13, 2008), 2008 Annual Consolidated Financial Statements (filed on SEDAR on March 16, 2009), 2008 Annual MD&A (filed on SEDAR on March 16, 2009), Amended 2008 Annual MD&A (filed on SEDAR on March 17, 2009), 2008 AIF (filed on SEDAR on March 31, 2009), Management Information Circular dated April 28, 2009 (filed on SEDAR on May 4, 2009), Q1 2009 MD&A (filed on SEDAR on May 11, 2009), Q1 2009 Financial Statements (filed on SEDAR on May 11, 2009), **June 2009 Prospectus**, **June 2009 Offering Memorandum**, Q2 2009 MD&A (filed on SEDAR on August 10, 2009), Q2 2009 Financial Statements (filed on SEDAR on August 10, 2009), Q3 2009 MD&A (filed on SEDAR on November 12, 2009), Q3 2009 Financial Statements (filed on SEDAR on November 12, 2009), **December 2009 Prospectus**, **December 2009 Offering Memorandum**, 2009

Annual MD&A (filed on SEDAR on March 16, 2010), 2009 Audited Annual Financial Statements (filed on SEDAR on March 16, 2010), 2009 AIF (filed on SEDAR on March 31, 2010), Management Information Circular dated May 4, 2010 (filed on SEDAR on May 11, 2010), Q1 2010 MD&A (filed on SEDAR on May 12, 2010), Q1 2010 Financial Statements (filed on SEDAR on May 12, 2010), Q2 2010 MD&A (filed on SEDAR on August 10, 2010), Q2 2010 Financial Statements (filed on SEDAR on August 10, 2010), **October 2010 Offering Memorandum**, Q3 2010 MD&A (filed on SEDAR on November 10, 2010), Q3 2010 Financial Statements (filed on SEDAR on November 10, 2010), 2010 Annual MD&A (March 15, 2011), 2010 Audited Annual Financial Statements (filed on SEDAR on March 15, 2011), 2010 AIF (filed on SEDAR on March 31, 2011), and Management Information Circular dated May 2, 2011 (filed on SEDAR on May 10, 2011);

- (ee) **“Individual Defendants”** means Chan, Martin, Poon, Horsley, Ardell, Bowland, Hyde, Mak, Murray, Wang, and West, collectively;
- (ff) **“July 2008 Offering Memorandum”** means the Final Offering Memorandum dated July 17, 2008, relating to the distribution of Sino’s 5% Convertible Senior Notes due 2013 which Sino filed on SEDAR as a schedule to a material change report on July 25, 2008;
- (gg) **“June 2007 Prospectus”** means Sino’s Short Form Prospectus, dated June 5, 2007, which Sino filed on SEDAR on June 5, 2007;
- (hh) **“June 2009 Offering Memorandum”** means Sino’s Exchange Offer Memorandum dated June 24, 2009, relating to an offer to exchange Sino’s Guaranteed Senior Notes due 2011 for new 10.25% Guaranteed Senior Notes due 2014 which Sino filed on SEDAR as a schedule to a material change report on June 25, 2009;
- (ii) **“June 2009 Prospectus”** means Sino’s Final Short Form Prospectus, dated June 1, 2009, which Sino filed on SEDAR on June 1, 2009;

- (jj) “**Maison**” means the defendant Maison Placements Canada Inc.;
- (kk) “**Martin**” means the defendant W. Judson Martin;
- (ll) “**Mak**” means the defendant Edmund Mak;
- (mm) “**MD&A**” means Management’s Discussion and Analysis;
- (nn) “**Merrill**” means the defendant Merrill Lynch Canada Inc.;
- (oo) “**Muddy Waters**” means Muddy Waters LLC;
- (pp) “**Murray**” means the defendant Simon Murray;
- (qq) “**October 2010 Offering Memorandum**” means the Final Offering Memorandum dated October 14, 2010, relating to the distribution of Sino’s 6.25% Guaranteed Senior Notes due 2017;
- (rr) “**Offering**” or “**Offerings**” means the primary distributions in Canada of Sino’s Securities that occurred during the Class Period including the public offerings of Sino’s common shares pursuant to the June 2007, June 2009 and December 2009 Prospectuses, as well as the offerings of Sino’s notes pursuant to the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda, collectively;
- (ss) “**OSA**” means the *Securities Act*, RSO 1990 c S.5, as amended;
- (tt) “**OSC**” means the Ontario Securities Commission;
- (uu) “**Plaintiffs**” means the plaintiffs, the Trustees of the Labourers’ Pension Fund of Central and Eastern Canada (“**Labourers**”), the Trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario (“**Operating Engineers**”), Sjunde AP-Fonden (“**AP7**”), David C. Grant (“**Grant**”), and Robert Wong (“**Wong**”), collectively;
- (vv) “**Poon**” means the defendant Kai Kit Poon;

- (ww) "Pöyry" means the defendant, Pöyry (Beijing) Consulting Company Limited;
- (xx) "PRC" means the People's Republic of China;
- (yy) "Representation" means the statement that Sino's financial statements complied with GAAP;
- (zz) "RBC" means the defendant RBC Dominion Securities Inc.;
- (aaa) "Scotia" means the defendant Scotia Capital Inc.;
- (bbb) "Second Report" means the Second Interim Report of the IC, as that term is defined in paragraph 10 hereof;
- (ccc) "Securities" means Sino's common shares, notes or other securities, as defined in the *OSA*;
- (ddd) "Securities Legislation" means, collectively, the *OSA*, the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, RSQ c V-1.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
- (eee) "SEDAR" means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;
- (fff) "Sino" means, as the context requires, either the defendant Sino-Forest Corporation, or Sino-Forest Corporation and its affiliates and subsidiaries, collectively;
- (ggg) "TD" means the defendant TD Securities Inc.;

- (hhh) "TSX" means the Toronto Stock Exchange;
- (iii) "Underwriters" means Banc of America, Canaccord, CIBC, Credit Suisse, Credit Suisse USA, Dundee, Maison, Merrill, RBC, Scotia, and TD, collectively;
- (ijj) "Wang" means the defendant Peter Wang;
- (kkk) "West" means the defendant Garry J. West; and
- (III) "WFOE" means wholly foreign owned enterprise or an enterprise established in China in accordance with the relevant PRC laws, with capital provided solely by foreign investors.

## II. CLAIM

### 2. The Plaintiffs claim:

- (a) An order certifying this action as a class proceeding and appointing the Plaintiffs as representative plaintiffs for the Class, or such other class as may be certified by the Court;
- (b) A declaration that the Impugned Documents contained, either explicitly or implicitly, the Representation, and that, when made, the Representation was a misrepresentation, both at law and within the meaning of the Securities Legislation;
- (c) A declaration that the Impugned Documents contained one or more of the other misrepresentations alleged herein, and that, when made, those other misrepresentations constituted misrepresentations, both at law and within the meaning of the Securities Legislation;
- (d) A declaration that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants and of its other officers, directors and employees;
- (e) A declaration that the Underwriters, E&Y, BDO and Pöyry are each vicariously liable for the acts and/or omissions of their respective officers, directors, partners and employees;
- (f) On behalf of all of the Class Members who purchased Sino's Securities in the secondary market during the Class Period, and as against all of the Defendants other than the Underwriters, general damages in the sum of \$6.5 billion;
- (g) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2007 Prospectus related, and as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray, Hyde, Pöyry, BDO, Dundee, CIBC, Merrill and Credit Suisse general damages in the sum of \$175,835,000;
- (h) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the June 2009 Prospectus related, and as against Sino, Chan,

Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, E&Y, Dundee, Merrill, Credit Suisse, Scotia and TD, general damages in the sum of \$330,000,000;

- (i) On behalf of all of the Class Members who purchased Sino common shares in the distribution to which the December 2009 Prospectus related, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, general damages in the sum of \$319,200,000;
- (j) On behalf of all the Class Members who purchased Sino's 5% Convertible Senior Notes due 2013 pursuant to the July 2008 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$345 million;
- (k) On behalf of all the Class Members who purchased Sino's 10.25% Guaranteed Senior Notes due 2014 pursuant to the June 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y and Credit Suisse USA, general damages in the sum of US\$400 million;
- (l) On behalf of all the Class Members who purchased Sino's 4.25% Convertible Senior Notes due 2016 pursuant to the December 2009 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Credit Suisse USA and TD, general damages in the sum of US\$460 million;
- (m) On behalf of all the Class Members who purchased Sino's 6.25% Guaranteed Senior Notes due 2017 pursuant to the October 2010 Offering Memorandum, and as against Sino, Chan, Poon, Horsley, Wang, Mak, Murray, Hyde, Ardell, Pöyry, E&Y, Credit Suisse USA and Banc of America, general damages in the sum of US\$600 million;

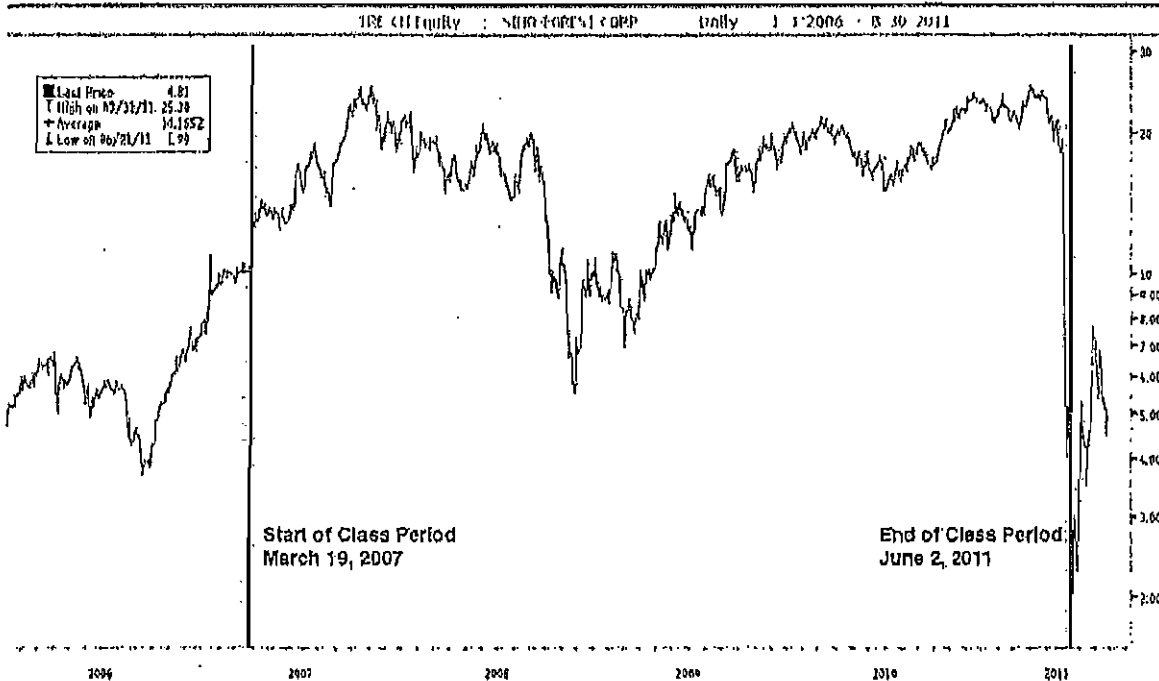


- (n) On behalf of all of the Class Members, and as against Sino, Chan, Poon and Horsley, punitive damages, in respect of the conspiracy pled below, in the sum of \$50 million;
- (o) A declaration that Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters were unjustly enriched;
- (p) A constructive trust, accounting or such other equitable remedy as may be available as against Sino, Chan, Poon, Horsley, Martin, Mak, Murray and the Underwriters;
- (q) A declaration that the acts and omissions of Sino have effected a result, the business or affairs of Sino have been carried on or conducted in a manner, or the powers of the directors of Sino have been exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of the Plaintiffs and the Class Members, pursuant to s. 241 of the *CBCA*;
- (r) An order directing a reference or giving such other directions as may be necessary to determine the issues, if any, not determined at the trial of the common issues;
- (s) Prejudgment and post judgment interest;
- (t) Costs of this action on a substantial indemnity basis or in an amount that provides full indemnity plus, pursuant to s 26(9) of the *CPA*, the costs of notice and of administering the plan of distribution of the recovery in this action plus applicable taxes; and
- (u) Such further and other relief as to this Honourable Court may seem just.

### III. OVERVIEW

3. From the time of its establishment in 1994, Sino has claimed to be a legitimate business operating in the commercial forestry industry in the PRC and elsewhere. Throughout that period, Sino has also claimed to have experienced breathtaking growth.

4. Beguiled by Sino's reported results, and by Sino's constant refrain that China constituted an extraordinary growth opportunity, investors drove Sino's stock price dramatically higher, as appears from the following chart:



5. The Defendants profited handsomely from the market's appetite for Sino's securities. Certain of the Individual Defendants sold Sino shares at lofty prices, and thereby reaped millions of dollars of gains. Sino's senior management also used Sino's illusory success to justify their lavish salaries, bonuses and other perks. For certain of the Individual Defendants, these outsized gains were not enough. Sino stock options granted to Chan, Horsley and other insiders were backdated or otherwise mispriced, prior to and during the Class Period, in violation of the TSX Rules, GAAP and the Securities Legislation.

6. Sino itself raised in excess of \$2.7 billion<sup>1</sup> in the capital markets during this period. Meanwhile, the Underwriters were paid lucrative underwriting commissions, and BDO, E&Y and Pöyry garnered millions of dollars in fees to bless Sino's reported results and assets. To their great detriment, the Class Members relied upon these supposed gatekeepers.

7. As a reporting issuer in Ontario and elsewhere, Sino was required at all material times to comply with GAAP. Indeed, Sino, BDO and E&Y, Sino's auditors during the Class Period and previously, repeatedly misrepresented that Sino's financial statements complied with GAAP. This was false.

8. On June 2, 2011, Muddy Waters, a short seller and research firm with extensive PRC experience, issued its first research report in relation to Sino, and unveiled the scale of the deception that had been worked upon the Class Members. Muddy Waters' initial report effectively revealed, among other things, that Sino had materially misstated its financial results, had falsely claimed to have acquired trees that it did not own, had reported sales that had not been made, or that had been made in a manner that did not permit Sino to book those sales as revenue under GAAP, and had concealed numerous related party transactions. These revelations had a catastrophic effect on Sino's stock price.

9. On June 1, 2011, prior to the publication of Muddy Waters' report, Sino's common shares closed at \$18.21. After the Muddy Waters report became public, Sino shares fell to \$14.46 on the TSX (a decline of 20.6%), at which point trading was halted. When trading resumed the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

10. On June 3, 2011, Sino announced that, in response to the allegations of Muddy Waters, its board had formed a committee, which Sino then falsely characterized as "independent" (the

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<sup>1</sup> Dollar figures are in Canadian dollars (unless otherwise indicated) and are rounded for convenience.

“Independent Committee” or “IC”), to examine and review the allegations contained in the Muddy Waters’ report of June 2, 2011. The initial members of the IC were the Defendants Ardell, Bowland and Hyde. The IC subsequently retained legal, accounting and other advisers to assist it in the fulfillment of its mandate.

11. On August 26, 2011, the OSC issued a cease-trade order in respect of Sino’s securities, alleging that Sino appeared to have engaged in significant non-arm’s length transactions which may have been contrary to Ontario securities laws and the public interest, that Sino and certain of its officers and directors appeared to have misrepresented some of Sino’s revenue and/or exaggerated some of its timber holdings, and that Sino and certain of its officers and directors, including Chan, appeared to be engaging or participating in acts, practices or a course of conduct related to Sino’s securities which they (or any of them) knew or ought reasonably know would perpetuate a fraud.

12. On November 13, 2011, the IC released the Second Report. Therein, the IC revealed, *inter alia*, that: (1) Sino’s management had failed to cooperate in numerous important respects with the IC’s investigation; (2) “there is a risk” that certain of Sino’s operations “taken as a whole” were in violation of PRC law; (3) Sino adopted processes that “avoid[] Chinese foreign exchange controls which must be complied with in a normal cross-border sale and purchase transaction, and [which] could present an obstacle to future repatriation of sales proceeds, and could have tax implications as well”; (4) the IC “has not been able to verify that any relevant income taxes and VAT have been paid by or on behalf of the BVIs in China”; (5) Sino lacked proof of title to the vast majority of its purported holdings of standing timber; (6) Sino’s “transaction volumes with a number of AI and Suppliers do not match the revenue reported by such Suppliers in their SAIC filing”; (7) “[n]one of the BVI timber purchase contracts have as

attachments either (i) Plantation Rights Certificates from either the Counterparty or original owner or (ii) villager resolutions, both of which are contemplated as attachments by the standard form of BVI timber purchase contract employed by the Company; and (8) “[t]here are indications in emails and in interviews with Suppliers that gifts or cash payments are made to forestry bureaus and forestry bureau officials.”

13. On January 31, 2012, the IC released its Final Report. Therein, the IC effectively revealed that, despite having conducted an investigation over nearly eight months, and despite the expenditure of US\$50 million on that investigation, it had failed to refute, or even to provide plausible answers to, key allegations made by Muddy Waters:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.

[...]

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions

14. Sino failed to meet the standards required of a public company in Canada. Aided by its auditors and the Underwriters, Sino raised billions of dollars from investors on the false premise that they were investing in a well managed, ethical and GAAP-compliant corporation. They

were not. Accordingly, this action is brought to recover the Class Members' losses from those who caused them; the Defendants.

#### IV. THE PARTIES

##### A. *The Plaintiffs*

15. Labourers are the trustees of the Labourers' Pension Fund of Central and Eastern Canada, a multi-employer pension plan providing benefits for employees working in the construction industry. The fund is a union-negotiated, collectively-bargained defined benefit pension plan established on February 23, 1972 and currently has approximately \$2 billion in assets, over 39,000 members and over 13,000 pensioners and beneficiaries and approximately 2,000 participating employers. A board of trustees representing members of the plan governs the fund. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Labourers purchased Sino's common shares over the TSX during the Class Period and continued to hold shares at the end of the Class Period. In addition, Labourers purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related.

16. Operating Engineers are the trustees of the International Union of Operating Engineers Local 793 Pension Plan for Operating Engineers in Ontario, a multi-employer pension plan providing pension benefits for operating engineers in Ontario. The pension plan is a union-negotiated, collectively-bargained defined benefit pension plan established on November 1, 1973 and currently has approximately \$1.5 billion in assets, over 9,000 members and pensioners and beneficiaries. The fund is governed by a board of trustees representing members of the plan. The plan is registered under the *Pension Benefits Act*, RSO 1990, c P.8 and the *Income Tax Act*, RSC 1985, 5th Supp, c.1. Operating Engineers purchased Sino's common shares over the TSX during the Class Period, and continued to hold shares at the end of the Class Period.

17. AP7 is the Swedish National Pension Fund. As of June 30, 2011, AP7 had approximately \$15.3 billion in assets under management. Funds managed by AP7 purchased Sino's common shares over the TSX during the Class Period and continued to hold those common shares at the end of the Class Period.

18. Grant is an individual residing in Calgary, Alberta. He purchased 100 of the Sino 6.25% Guaranteed Senior Notes due 2017 that were offered by the October 2010 Offering Memorandum and in the distribution to which that Offering Memorandum related. Grant continued to hold those Notes at the end of the Class Period.

19. Wong is an individual residing in Kincardine, Ontario. During the Class Period, Wong purchased Sino's common shares over the TSX and continued to hold some or all of such shares at the end of the Class Period. In addition, Wong purchased Sino common shares offered by the December 2009 Prospectus and in the distribution to which that Prospectus related, and continued to own those shares at the end of the Class Period.

**B. *The Defendants***

20. Sino purports to be a commercial forest plantation operator in the PRC and elsewhere. Sino is a corporation formed under the *CBCA*.

21. At the material times, Sino was a reporting issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the over-the-counter market in the United States as "SNOFF" and on the Tradedgate market as "SFJ TH." Sino securities are also listed on alternative trading venues in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino's shares also traded over-

the-counter in the United States. Sino has various debt instruments, derivatives and other securities that are traded in Canada and elsewhere.

22. As a reporting issuer in Ontario, Sino was required throughout the Class Period to issue and file with SEDAR:

- (a) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
- (b) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
- (c) contemporaneously with each of the above, a MD&A of each of the above financial statements; and
- (d) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development.

23. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future.

24. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical and future development. The AIF describes the company, its operations and prospects, risks and other external factors that impact the company specifically.



25. Sino controlled the contents of its MD&As, financial statements, AIFs and the other documents particularized herein and the misrepresentations made therein were made by Sino.

26. Chan is a co-founder of Sino, and was the Chairman, Chief Executive Officer and a director of the company from 1994 until his resignation from those positions on or about August 25, 2011. As Sino's CEO, Chan signed and certified the company's disclosure documents during the Class Period. Chan, along with Hyde, signed each of the 2006-2010 Audited Annual Financial Statements on behalf of Sino's board. Chan resides in Hong Kong, China.

27. Chan certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Chan signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As a director and officer, he caused Sino to make the misrepresentations particularized below.

28. Since Sino was established, Chan has received lavish compensation from Sino. For example, for 2006 to 2010, Chan's total compensation (other than share-based compensation) was, respectively, US\$3.0 million, US\$3.8 million, US\$5.0 million, US\$7.6 million and US\$9.3 million.

29. As at May 1, 1995, shortly after Sino became a reporting issuer, Chan held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he held 2.7% of Sino's common shares (the company no longer has preference shares outstanding). Chan has made in excess of \$10 million through the sale of Sino shares.

30. Horsley is Sino's Chief Financial Officer, and has held this position since October 2005. In his position as Sino's CFO, Horsley has signed and certified the company's disclosure documents during the Class Period. Horsley resides in Ontario. Horsley has made in excess of \$11 million through the sale of Sino shares.

31. Horsley certified each of Sino's Class Period annual and quarterly MD&As and financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. Horsley signed each of Sino's Class Period annual financial statements, each of which is an Impugned Document. In so doing, he adopted as his own the false statements such documents contained, as particularized below. As an officer, he caused Sino to make the misrepresentations particularized below.

32. Since becoming Sino's CFO, Horsley has also received lavish compensation from Sino. For 2006 to 2010, Horsley's total compensation (other than share-based compensation) was, respectively, US\$1.1 million, US\$1.4 million, US\$1.7 million, US\$2.5 million, and US\$3.1 million.

33. Poon is a co-founder of Sino, and has been the President of the company since 1994. He was a director of Sino from 1994 to May 2009, and he continues to serve as Sino's President. Poon resides in Hong Kong, China. While he was a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. While he was a board member, he caused Sino to make the misrepresentations particularized below.

34. As at May 1, 1995, shortly after Sino became a reporting issuer, Poon held 18.3% of Sino's outstanding common shares and 37.5% of its preference shares. As of April 29, 2011 he

held 0.42% of Sino's common shares. Poon has made in excess of \$34.4 million through the sale of Sino shares.

35. Poon rarely attended board meetings while he was on Sino's board. From the beginning of 2006 until his resignation from the Board in 2009, he attended 5 of the 39 board meetings, or less than 13% of all board meetings held during that period.

36. Wang is a director of Sino, and has held this position since August 2007. Wang resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

37. Martin has been a director of Sino since 2006, and was appointed vice-chairman in 2010. On or about August 25, 2011, Martin replaced Chan as Chief Executive Officer of Sino. Martin was a member of Sino's audit committee prior to early 2011. Martin has made in excess of \$474,000 through the sale of Sino shares. He resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized herein.

38. Mak is a director of Sino, and has held this position since 1994. Mak was a member of Sino's audit committee prior to early 2011. Mak and persons connected with Mak have made in excess of \$6.4 million through sales of Sino shares. Mak resides in British Columbia. As a board member, he adopted as his own the false statements made in each of Sino's annual

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financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

39. Murray is a director of Sino, and has held this position since 1999. Murray has made in excess of \$9.9 million through sales of Sino shares. Murray resides in Hong Kong, China. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

40. Since becoming a director, Murray has rarely attended board and board committee meetings. From the beginning of 2006 to the close of 2010, Murray attended 14 of 64 board meetings, or less than 22% of board meetings held during that period. During that same period, Murray attended 2 out of 13, or 15%, of the meetings held by the Board's Compensation and Nominating Committee, and attended *none* of the 11 meetings of that Committee held from the beginning of 2007 to the close of 2010.

41. Hyde is a director of Sino, and has held this position since 2004. Hyde was previously a partner of E&Y. Hyde is the chairman of Sino's Audit Committee. Hyde, along with Chan, signed each of the 2007-2010 Annual Consolidated Financial Statements on behalf of Sino's board. Hyde is also member of the Compensation and Nominating Committee. Hyde has made in excess of \$2.4 million through the sale of Sino shares. Hyde resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements, particularized below, when he signed such statements or when they were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

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42. Ardell is a director of Sino, and has held this position since January 2010. Ardell is a member of Sino's audit committee. Ardell resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

43. Bowland was a director of Sino from February 2011 until his resignation from the Board of Sino in November 2011. While on Sino's Board, Bowland was a member of Sino's Audit Committee. He was formerly an employee of a predecessor to E&Y. Bowland resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

44. West is a director of Sino, and has held this position since February 2011. West was previously a partner at E&Y. West is a member of Sino's Audit Committee. West resides in Ontario. As a board member, he adopted as his own the false statements made in each of Sino's annual financial statements released while he was a board member, particularized below, when such statements were signed on his behalf. As a board member, he caused Sino to make the misrepresentations particularized below.

45. As officer and/or directors of Sino, the Individual Defendants were fiduciaries of Sino, and they made the misrepresentations alleged herein, adopted such misrepresentations, and/or caused Sino to make such misrepresentations while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties. In addition, Chan, Poon, Horsley, Martin,

Mak and Murray were unjustly enriched in the manner and to the extent particularized below while they were acting in their capacity as fiduciaries, and in violation of their fiduciary duties.

46. At all material times, Sino maintained the Code, which governed Sino's employees, officers and directors, including the Individual Defendants. The Code stated that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code further required that Sino representatives act in the best interests of shareholders, corporate opportunities not be used for personal gain, no one trade in Sino securities based on undisclosed knowledge stemming from their position or employment with Sino, the company's books and records be honest and accurate, conflicts of interest be avoided, and any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

47. E&Y has been engaged as Sino's auditor since August 13, 2007. E&Y was also engaged as Sino's auditor from Sino's creation through February 19, 1999, when E&Y abruptly resigned during audit season and was replaced by the now-defunct Arthur Andersen LLP. E&Y was also Sino's auditor from 2000 to 2004, when it was replaced by BDO. E&Y is an expert of Sino within the meaning of the Securities Legislation.

48. E&Y, in providing what it purported to be "audit" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, E&Y was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on E&Y's statements relating to Sino, which they did to their detriment.

49. E&Y consented to the inclusion in the June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for various years, as alleged more particularly below.

50. BDO is the successor of BDO McCabe Lo Limited, the Hong Kong, China based auditing firm that was engaged as Sino's auditor during the period of March 21, 2005 through August 12, 2007, when they resigned at Sino's request, and were replaced by E&Y. BDO is an expert of Sino within the meaning of the Securities Legislation.

51. During the term of its service as Sino's auditor, BDO provided what it purported to be "audit" services to Sino, and in the course thereof made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, BDO was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons rely on BDO's statements relating to Sino, which they did to their detriment.

52. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda, of its audit reports on Sino's Annual Financial Statements for 2005 and 2006.

53. E&Y and BDO's annual Auditors' Report was made "to the shareholders of Sino-Forest corporation," which included the Class Members. Indeed, s. 1000.11 of the Handbook of the Canadian Institute of Chartered Accountants states that "the objective of financial statements for profit-oriented enterprises focuses primarily on the information needs of *investors and creditors*" [emphasis added].

54. Sino's shareholders, including numerous Class Members, appointed E&Y as auditors of Sino-Forest by shareholder resolutions passed on various dates, including on June 21, 2004, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011.

55. Sino's shareholders, including numerous Class Members, appointed BDO as auditors of Sino-Forest by resolutions passed on May 16, 2005, June 5, 2006 and May 28, 2007.

56. During the Class Period, with the knowledge and consent of BDO or E&Y (as the case may be), Sino's audited annual financial statements for the years ended December 31, 2006, 2007, 2008, 2009 and 2010, together with the report of BDO or E&Y thereon (as the case may be), were presented to the shareholders of Sino (including numerous Class Members) at annual meetings of such shareholders held in Toronto, Canada on, respectively, May 28, 2007, May 26, 2008, May 25, 2009, May 31, 2010 and May 30, 2011. As alleged elsewhere herein, all such financial statements constituted Impugned Documents.

57. Pöyry is an international forestry consulting firm which purported to provide certain forestry consultation services to Sino. Pöyry is an expert of Sino within the meaning of the Securities Legislation.

58. Pöyry, in providing what it purported to be "forestry consulting" services to Sino, made statements that it knowingly intended to be, and which were, disseminated to Sino's current and prospective security holders. At all material times, Pöyry was aware of that class of persons, intended to and did communicate with them, and intended that that class of persons would rely on Pöyry's statements relating to Sino, which they did to their detriment.



59. Pöyry consented to the inclusion in the June 2007, June 2009 and December 2009 Prospectuses, as well as the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, of its various reports, as detailed below in paragraph ●.

60. The Underwriters are various financial institutions who served as underwriters in one or more of the Offerings.

61. In connection with the distributions conducted pursuant to the June 2007, June 2009 and December 2009 Prospectuses, the Underwriters who underwrote those distributions were paid, respectively, an aggregate of approximately \$7.5 million, \$14.0 million and \$14.4 million in underwriting commissions. In connection with the offerings of Sino's notes in July 2008, December 2009, and October 2010, the Underwriters who underwrote those offerings were paid, respectively, an aggregate of approximately US\$2.2 million, US\$8.5 million and \$US6 million. Those commissions were paid in substantial part as consideration for the Underwriters' purported due diligence examination of Sino's business and affairs.

62. None of the Underwriters conducted a reasonable investigation into Sino in connection with any of the Offerings. None of the Underwriters had reasonable grounds to believe that there was no misrepresentation in any of the Impugned Documents. In the circumstances of this case, including the facts that Sino operated in an emerging economy, Sino had entered Canada's capital markets by means of a reverse merger, and Sino had reported extraordinary results over an extended period of time that far surpassed those reported by Sino's peers, the Underwriters all ought to have exercised heightened vigilance and caution in the course of discharging their duties to investors, which they did not do. Had they done so, they would have uncovered Sino's true nature, and the Class Members to whom they owed their duties would not have sustained the losses that they sustained on their Sino investments.

## V. THE OFFERINGS

63. Through the Offerings, Sino raised in aggregate in excess of \$2.7 billion from investors during the Class Period. In particular:

- (a) On June 5, 2007, Sino issued and filed with SEDAR the June 2007 Prospectus pursuant to which Sino distributed to the public 15,900,000 common shares at a price of \$12.65 per share for gross proceeds of \$201,135,000. The June 2007 Prospectus incorporated by reference Sino's: (1) 2006 AIF; (2) 2006 Audited Annual Financial Statements; (3) 2006 Annual MD&A; (4) Management Information Circular dated April 27, 2007; (5) Q1 2007 Financial Statements; and (6) Q1 2007 MD&A;
- (b) On July 17, 2008, Sino issued the July 2008 Offering Memorandum pursuant to which Sino sold through private placement US\$345 million in aggregate principal amount of convertible senior notes due 2013. The July 2008 Offering Memorandum included: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006 and 2007; (2) Sino's unaudited interim financial statements for the three-month periods ended March 31, 2007 and 2008; (3) the section of the 2007 AIF entitled "Audit Committee" and the charter of the Audit Committee attached as an appendix to the 2007 AIF; and (4) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets Report as at 31 December 2007" dated March 14, 2008;
- (c) On June 1, 2009, Sino issued and filed with SEDAR the June 2009 Prospectus pursuant to which Sino distributed to the public 34,500,000 common shares at a price of \$11.00 per share for gross proceeds of \$379,500,000. The June 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q1 2009 MD&A; (5) Q1 2008 and 2009 Financial Statements; (6) Q1 2009 MD&A; (7) Management Information Circular dated April 28, 2009; and (8) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;

- (d) On June 24, 2009, Sino issued the June 2009 Offering Memorandum for exchange of certain of its then outstanding senior notes due 2011 with new notes, pursuant to which Sino issued US\$212,330,000 in aggregate principal amount of 10.25% Guaranteed Senior Notes due 2014. The June 2009 Offering Memorandum incorporated by reference: (1) Sino's 2005, 2006 and 2007 Consolidated Annual Financial Statements; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Consolidated Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007 except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached as an appendix to the 2008 AIF; and (6) the unaudited interim financial statements for the three-month periods ended March 31, 2008 and 2009;
- (e) On December 10, 2009, Sino issued the December 2009 Offering Memorandum pursuant to which Sino sold through private placement US\$460,000,000 in aggregate principal amount of 4.25% convertible senior notes due 2016. This Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2005, 2006, 2007; (2) the auditors' report of BDO dated March 19, 2007 with respect to Sino's Annual Financial Statements for 2005 and 2006; (3) the auditors' report of E&Y dated March 12, 2008 with respect to Sino's Consolidated Annual Financial Statements for 2007, except as to notes 2, 18 and 23; (4) Sino's Consolidated Annual Financial Statements for 2007 and 2008 and the auditors' report of E&Y dated March 13, 2009; (5) the unaudited interim consolidated financial statements for the nine-month periods ended September 30, 2008 and 2009; (6) the section entitled "Audit Committee" in the 2008 AIF, and the charter of the Audit Committee attached to the 2008 AIF; (7) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Assets as at 31 December 2007"; and (8) the Pöyry report entitled "Sino-Forest Corporation Valuation of China Forest Corp Assets as at 31 December 2008" dated April 1, 2009;

- (f) On December 10, 2009, Sino issued and filed with SEDAR the December 2009 Prospectus (together with the June 2007 Prospectus and the June 2009 Prospectus, the "Prospectuses") pursuant to which Sino distributed to the public 21,850,000 common shares at a price of \$16.80 per share for gross proceeds of \$367,080,000. The December 2009 Prospectus incorporated by reference Sino's: (1) 2008 AIF; (2) 2007 and 2008 Annual Consolidated Financial Statements; (3) Amended 2008 Annual MD&A; (4) Q3 2008 and 2009 Financial Statements; (5) Q3 2009 MD&A; (6) Management Information Circular dated April 28, 2009; and (7) the Pöyry report titled "Valuation of China Forest Corp Assets As at 31 December 2008" dated April 1, 2009;
- (g) On February 8, 2010, Sino closed the acquisition of substantially all of the outstanding common shares of Mandra Forestry Holdings Limited. Concurrent with this acquisition, Sino completed an exchange with holders of 99.7% of the USD\$195 million notes issued by Mandra Forestry Finance Limited and 96.7% of the warrants issued by Mandra Forestry Holdings Limited, for new 10.25% guaranteed senior notes issued by Sino in the aggregate principal amount of USD\$187,177,375 with a maturity date of July 28, 2014. On February 11, 2010, Sino exchanged the new 2014 Senior Notes for an additional issue of USD\$187,187,000 in aggregate principal amount of Sino's existing 2014 Senior Notes, issued pursuant to the June 2009 Offering Memorandum; and
- (h) On October 14, 2010, Sino issued the October 2010 Offering Memorandum pursuant to which Sino sold through private placement US\$600,000,000 in aggregate principal amount of 6.25% guaranteed senior notes due 2017. The October 2010 Offering Memorandum incorporated by reference: (1) Sino's Consolidated Annual Financial Statements for 2007, 2008 and 2009; (2) the auditors' report of E&Y dated March 15, 2010 with respect to Sino's Annual Financial Statements for 2008 and 2009; and (3) Sino's unaudited interim financial statements for the six-month periods ended June 30, 2009 and 2010.

64. The offering documents referenced in the preceding paragraph included, or incorporated other documents by reference that included, the Representation and the other misrepresentations in such documents that are particularized elsewhere herein. Had the truth in regard to Sino's management, business and affairs been timely disclosed, securities regulators likely would not have received the Prospectuses, nor would any of the Offerings have occurred.

65. Each of Chan, Horsley, Martin and Hyde signed the June 2007 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, CIBC, Merrill and Credit Suisse also signed the June 2007 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

66. Each of Chan, Horsley, Martin and Hyde signed the June 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia and TD also signed the June 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

67. Each of Chan, Horsley, Martin and Hyde signed the December 2009 Prospectus, and therein falsely certified that that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities

offered thereby. Each of Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD also signed the December 2009 Prospectus, and therein falsely certified that, to the best of its knowledge, information and belief, that prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby.

68. E&Y consented to the inclusion in: (1) the June 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (2) the December 2009 Prospectus, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; (3) the July 2008 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007, and its adjustments to Sino's Audited Annual Financial Statements for 2005 and 2006; (4) the December 2009 Offering Memorandum, of its audit reports on Sino's Audited Annual Financial Statements for 2007 and 2008; and (5) the October 2010 Offering Memoranda, of its audit reports on Sino's Audited Annual Financial Statements for 2008 and 2009.

69. BDO consented to the inclusion in each of the June 2007 and December 2009 Prospectuses and the July 2008, June 2009 and December 2009 Offering Memoranda of its audit reports on Sino's Audited Annual Financial Statements for 2006 and 2005.

## VI. THE MISREPRESENTATIONS

70. During the Class Period, Sino made the misrepresentations particularized below. These misrepresentations related to:

- A. Sino's history and fraudulent origins;
- B. Sino's forestry assets;
- C. Sino's related party transactions;

- D. Sino's relationships with forestry bureaus and its purported title to forestry assets in the PRC;
- E. Sino's relationships with its "Authorized Intermediaries;"
- F. Sino's cash flows;
- G. Certain risks to which Sino was exposed; and
- H. Sino's compliance with GAAP and the Auditors' compliance with GAAS.
- A. *Misrepresentations relating to Sino's History and Fraudulent Origins*
- (i) *Sino Overstates the Value of, and the Revenues Generated by, the Leizhou Joint Venture*
71. At the time of its founding by way of reverse merger in 1994, Sino's business was conducted primarily through an equity joint venture between Sino's Hong Kong subsidiary, Sino-Wood Partners, Limited ("Sino-Wood"), and the Leizhou Forestry Bureau, which was situated in Guangdong Province in the south of the PRC. The name of the venture was Zhanjiang Leizhou Eucalyptus Resources Development Co. Ltd. ("Leizhou"). The stated purpose of Leizhou, established in 1994, was:
- Managing forests, wood processing, the production of wood products and wood chemical products, and establishing a production facility with an annual production capacity of 50,000 m<sup>3</sup> of Micro Density Fiber Board (MDF), managing a base of 120,000 mu (8,000 ha) of which the forest annual utilization would be 8,000 m<sup>3</sup>.
72. There are two types of joint ventures in the PRC relevant to Sino: equity joint ventures ("EJV") and cooperating joint ventures ("CJV"). In an EJV, profits and assets are distributed in proportion to the parties' equity holdings upon winding up. In a CJV, the parties may contract to divide profits and assets disproportionately to their equity interests.

73. According to a Sino prospectus issued in January 1997, Leizhou, an EJV, was responsible for 20,000 hectares of the 30,000 hectares that Sino claimed to have "phased-in." Leizhou was the key driver of Sino's purported early growth.

74. Sino claimed to hold 53% of the equity in Leizhou, which was to total US\$10 million, and Sino further claimed that the Leizhou Forestry Bureau was to contribute 20,000 ha of forestry land. In reality, however, the terms of the EJV required the Leizhou Forestry Bureau to contribute a mere 3,533 ha.

75. What was also unknown to investors was that Leizhou did not generate the sales claimed by Sino. More particularly, in 1994, 1995 and 1996, respectively, Sino claimed to have generated US\$11.3 million, US\$23.9 million and US\$23.1 million in sales from Leizhou. In reality, however, these sales did not occur, or were materially overstated.

76. Indeed, in an undisclosed letter from Leizhou Forestry Bureau to Zhanjiang City Foreign and Economic Relations and Trade Commission, dated February 27, 1998, the Bureau complained:

To: Zhanjiang Municipal Foreign Economic Relations & Trade Commission

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

1. Information of the investment of both sides



- A. The investment of our side: according to the contract and articles of association signed by both sides and approved by your commission, our side has paid in RMB95,481,503.29 (equivalent to USD11,640,000.00) to the Joint Venture on 20<sup>th</sup> June 1995 through an in-kind contribution. The payment was made in accordance with the prescribed procedures and confirmed by signatures of the legal representatives of both parties. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment accounts for 99.1% of the agreed capital contribution from our side, which is USD11,750,000, and accounts for 46.56% of the total investment.
- B. The investment of the foreign party: the foreign party has paid in USD1,000,000 on 16<sup>th</sup> March 1994, which was in the starting period of the Joint Venture. According to the Capital Verification Report from Yuexi (粤西) Accounting Firm, this payment only accounts for 7.55% of the agreed capital contribution from the foreign party totaling USD13,250,000, and accounts for 4% of the total investment. Then, in the prescribed investment period, the foreign party did not further pay capital into the Joint Venture. In view of this, your commission sent a "Notice on Time for Capital Contribution" to the foreign party on 30<sup>th</sup> January 1996. In accordance with the notice, the foreign party then on 10<sup>th</sup> April sent a letter to your commission, requesting for postponing the deadline for capital contribution to 20<sup>th</sup> December the same year. On 14<sup>th</sup> May 1996, your commission replied to Allen Chan (陈德源), the Chairman of the Joint Venture, stating that "postponement of the deadline for capital contribution is subject to the consent of our side and requires amendment of the term on the capital contribution time in the original contract, and both parties shall sign a bilateral supplementary contract; after the application has been approved, the postponed deadline will become effective.". Based on the spirit of the letter dated 14<sup>th</sup> May from your commission and for the purpose of achieving mutual communication and dealing with the issues of the Joint Venture actively and appropriately, on 11<sup>th</sup> June 1996, Chan Shixing (陈识兴) and two other Directors from our side sent a joint letter to Allen Chan (陈德源), the Chairman of the Joint Venture, to propose a meeting of the board to be convened before 30<sup>th</sup> June 1996 in Zhanjiang, in order to discuss how to deal with the issues of the Joint Venture in accordance with the relevant State provisions. Unfortunately, the foreign party neither had discussion with our side pursuant to your commission's letter, nor replied to the proposal of our side, and furthermore failed to make payment to the Joint Venture. Now, it has been two years beyond the deadline for capital contribution (29<sup>th</sup> January 1996), and more than one year beyond the date prescribed by the Notice on Time for Capital Contribution issued by your commission (30<sup>th</sup> April 1996). However, the foreign party has been evading the discussion of the capital contribution issue, and moreover has taken no further action.

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

According to the contract and articles of association, the main purposes of setting up the Joint Venture are, on the one hand, to invest and construct a project producing 50,000 cubic meter Medium Density Fiberboard (MDF) a year; and on the other hand, to create a forest base of 120,000 mu, with which to produce 80,000 cubic meter of timber as raw material for the production of medium density fiberboard. The contract and articles of association also prescribed that the whole funding required for the MDF board project should be paid by the foreign party in cash; our side should pay in-kind the proportion of the fund prescribed by the contract. *After contributing capital of USD1,000,000 in the early stage, the foreign party not only failed to make subsequent capital contributions, but also in their own name successively withdrew a total amount of RMB4,141,045.02, from the funds they contributed, of which USD270,000 was paid to Huadu Baixing Wood Products Factory (花都市百兴木制品厂), which has no business relationship with the Joint Venture. This amount of money equals 47.6% of [the foreign party's] paid in capital. Although our side has almost paid off the agreed capital contribution (only short 0.9% of the total committed), due to the limited contribution from the foreign party and the fact that they withdrew a huge amount of money from those funds originally contributed by them, it is impossible for the Joint Venture to construct or set up production projects and to commence production operation while the funds have been insufficient and the foreign party did not pay in the majority of the subscribed capital. In fact, the Joint Venture therefore is merely a shell, existing in name only.*

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

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

1. The cancellation of the approval certificate for "Zhanjiang Eucalyptus Resources Development Co. Ltd.", i.e. WJMZHZZZ No. 065[1994], based on the relevant provisions of Certain Regulations on the Subscription of Capital by the Parties to Sino-Foreign Joint Equity Enterprises,

2. Direct the Joint Venture to complete the deregistration procedures for "Zhanjiang Eucalyptus Resources Development Co. Ltd." at the local Administration for Industry and Commerce, and for the return of its business license.
3. Coordination with both parties to resolve the relevant remaining issues.

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

The Seal of the Leizhou Forestry Bureau

1998, February 27

[Translation; emphasis added.]

77. In its 1996 Annual Financial Statements, Sino stated:

The \$14,992,000 due from the LFB represents cash collected from the sale of wood chips on behalf of the Leizhou EJV. As originally agreed to by Sino-Wood, the cash was being retained by the LFB to fund the ongoing plantation costs of the Leizhou EJV incurred by the LFB. Sino-Wood and LFB have agreed that the amount due to the Leizhou EJV, after reduction for plantation costs incurred, will be settled in 1997 concurrent with the settlement of capital contributions due to the Leizhou EJV by Sino-Wood.

78. These statements were false, inasmuch as Leizhou never generated such sales. Leizhou was wound-up in 1998.

79. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to Leizhou, and knowingly misrepresented the true status of Leizhou, as well as its true revenues and profits.

*(ii) Sino's Fictitious Investment in SJXT*

80. In Sino's audited financial statements for the year ended December 31, 1997, filed on SEDAR on May 20, 1998 (the "1997 Financial Statements"), Sino stated that, in order to establish strategic partnerships with key local wood product suppliers and to build a strong distribution for the wood-based product and contract supply businesses, it had acquired a 20% equity interest in "Shanghai Jin Xiang Timber Ltd." ("SJXT"). Sino then described SJXT as an

EJV that had been formed in 1997 by the Ministry of Forestry in China, and declared that its function was to organize and manage the first and only official market for timber and log trading in Eastern China. It further stated that the investment in SJXT was expected to provide the Company with good accessibility to a large base of potential customers and companies in the timber and log businesses in Eastern China.

81. There is, in fact, no entity known as "Shanghai Jin Xiang Timber Ltd." While an entity called "Shanghai Jin Xiang Timber Wholesale Market" does exist, Sino did not have, as claimed in its disclosure documents, an equity stake in that venture.

82. According to the 1997 Audited Annual Financial Statements, the total investment of SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately US\$1.9 million for a 20% equity interest. The 1997 Audited Annual Financial Statements stated that, as at December 31, 1997, Sino had made capital contributions to SJXT in the amount of US\$1.0 million. In Sino's balance sheet as at December 31, 1997, the SJXT investment was shown as an asset of \$1.0 million.

83. In October 1998, Sino announced an Agency Agreement with SJXT. At that time, Sino stated that it would provide 130,000 m<sup>3</sup> of various wood products to SJXT over an 18 month period, and that, based on then-current market prices, it expected this contract to generate "significant revenue" for Sino-Forest amounting to approximately \$40 million. The revenues that were purportedly anticipated from the SJXT contract were highly material to Sino. Indeed, Sino's total reported revenues in 1998 were \$92.7 million.

84. In Sino's Audited Annual Financial Statements for the year ended December 31, 1998, which statements were filed on SEDAR on May 18, 1999 (the "1998 Financial Statements"), Sino again stated that, in 1997, it had acquired a 20% equity interest in SJXT, that the total

investment in SJXT was estimated to be US\$9.7 million, of which Sino would be required to contribute approximately \$1.9 million, representing 20% of the registered capital, and that, as at December 31, 1997 and 1998, Sino had made contributions in the amount of US\$1.0 million to SJXT. In Sino's balance sheet as at December 31, 1998, the SJXT investment was again shown as an asset of US\$1.0 million.

85. Sino also stated in the 1998 Audited Annual Financial Statements that, during 1998, the sale of logs and lumber to SJXT amounted to approximately US\$537,000. These sales were identified in the notes to the 1998 Financial Statements as related party transactions.

86. In Sino's Annual Report for 1998, Chan stated that lumber and wood products trading constituted a "promising new opportunity." Chan explained that:

*SJXT represents a very significant development for our lumber and wood products trading business. The market is prospering and continues to look very promising. Phase I, consisting of 100 shops, is completed. Phases II and III are expected to be completed by the year 2000. This expansion would triple the size of the Shanghai Timber Market.*

*The Shanghai Timber Market is important to Sino-Forest as a generator of significant new revenue. In addition to supplying various forest products to the market from our own operations, our direct participation in SJXT increases our activities in sourcing a wide range of other wood products both from inside China and internationally.*

*The Shanghai Timber Market is also very beneficial to the development of the forest products industry in China because it is the first forest products national sub-market in the eastern region of the country.*

[...]

*The market also greatly facilitates Sino-Forest's networking activities, enabling us to build new industry relationships and add to our market intelligence, all of which increasingly leverage our ability to act as principal in our dealings.*

[Emphasis added.]

87. Chan also stated in the 1998 Annual Report that the "Agency Agreement with SJXT [is] expected to generate approximately \$40 million over 18 months."

88. In Sino's Annual Report for 1999, Sino stated:

*There are also promising growth opportunities as Sino-Forest's investment in Shanghai Jin Xiang Timber Ltd. (SJXT or the Shanghai Timber Market), develops. The Company also continues to explore opportunities to establish and reinforce ties with other international forestry companies and to bring our e-commerce technology into operation.*

Sino-Forest's investment in the Shanghai Timber Market — the first national forest products submarket in eastern China — has provided a strong foundation for the Company's lumber and wood products trading business.

[Emphasis added.]

89. In Sino's MD&A for the year ended December 31, 1999, Sino also stated that:

*Sales from lumber and wood products trading increased 264% to \$34.2 million compared to \$9.4 million in 1998. The increase in lumber and wood products trading is attributable largely to the increase in new business generated from our investment in Shanghai Jin Xiang Timber Ltd. (SJXT) and a larger sales force in 1999. Lumber and wood products trading on an agency basis has increased 35% from \$2.3 million in 1998 to \$3.1 million in 1999. The increase in commission income on lumber and wood products trading is attributable to approximately \$1.8 million of fees earned from a new customer.*

[Emphasis added.]

90. That same MD&A, however, also states that "The investment in SJXT has contributed to the significant growth of the lumber and wood products trading business, *which has recorded an increase in sales of 219% from \$11.7 million in 1998 to \$37.2 million in 1999*" (emphasis added).

91. In Sino's Audited Annual Financial Statements for the year ended December 31, 1999, which statements were filed on SEDAR on May 18, 2000 (the "1999 Financial Statements"), Sino stated:

During the year, Shanghai Jin Xiang Timber Ltd. ["SJXT"] applied to increase *the original total capital contributions of \$868,000* [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to *make an additional contribution of \$278,000* as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 *increasing its equity interest in SJXT from 27.8% to 34.4%*. The principal activity of SJXT is to organize trading of timber and logs in the PRC market.

[Emphasis added.]

92. The statements made in the 1999 Financial Statements contradicted Sino's prior representations in relation to SJXT. Among other things, Sino previously claimed to have made a capital contribution of \$1,037,000 for a 20% equity interest in SJXT.

93. In addition, note 2(b) to the 1999 Financial Statements stated that, "[a]s at December 31, 1999, \$796,000...advances to SJXT remained outstanding. The advances to SJXT were unsecured, non-interest bearing and without a fixed repayment date." Thus, assuming that Sino's contributions to SJXT were actually made, then Sino's prior statements in relation to SJXT were materially misleading, and violated GAAP, inasmuch as those statements failed to disclose that Sino had made to SJXT, a related party, a non-interest bearing loan of \$796,000.

94. In Sino's Audited Annual Financial Statements for the year ended December 31, 2000, which statements were filed on SEDAR on May 18, 2000 (the "2000 Financial Statements"), Sino stated:

In 1999, Shanghai Jin Xiang Timber Ltd. ("SJXT") applied to increase the original total capital contributions of \$868,000 [Chinese renminbi 7.2 million] to \$1,509,000 [Chinese renminbi 12.5 million]. Sino-Wood is required to make an additional contribution of \$278,000 as a result of the increase in total capital contributions. The additional capital contribution of \$278,000 was made in 1999 increasing its equity interest in SJXT from 27.8% to 34.4%. The principal activity of SJXT is to organize the trading of timber and logs in the PRC market. During the year, advances to SJXT of \$796,000 were repaid.

95. In Sino's balance sheet as at December 31, 2000, the SJXT investment was shown as an asset of \$519,000, being the sum of Sino's purported SJXT investment of \$1,315,000 as at December 31, 1999, and the \$796,000 of "advances" purportedly repaid to Sino by SJXT during the year ended December 31, 2000.

96. In Sino's Annual Reports (including the audited annual financial statements contained therein) for the years 2001 and beyond, there is no discussion whatsoever of SJXT. Indeed, Sino's "promising" and "very significant" investment in SJXT simply evaporated, without explanation, from Sino's disclosure documents. In fact, and unbeknownst to the public, Sino never invested in a company called "Shanghai Jin Xiang Timber Ltd." Chan and Poon knew, or were reckless in not knowing of, that fact.

97. At all material times, Sino's founders, Chan and Poon, were fully aware of the reality relating to SJXT, and knowingly misrepresented the true status of SJXT and Sino's interest therein.

*(iii) Sino's Materially Deficient and Misleading Class Period Disclosures regarding Sino's History*

98. During the Class Period, the Sino disclosure documents identified below purported to provide investors with an overview of Sino's history. However, those disclosure documents, and indeed all of the Impugned Documents, failed to disclose the material fact that, from its very founding, Sino was a fraud, inasmuch as its purportedly key investments in Leizhou and SJXT were either grossly inflated or fictitious.

99. Accordingly, the statements particularized in paragraphs 100 to 104 below were misrepresentations. The misleading nature of such statements was exacerbated by the fact that, throughout the Class Period, Sino's senior management and Board purported to be governed by



the Code, which touted the “high standards of ethical conduct, in both words and actions”, of Sino’s senior management and Board.

100. In the Prospectuses, Sino described its history, but did not disclose that the SJXT investment was fictitious, or that the revenues generated by Leizhou were non-existent or grossly overstated.

101. In particular, the June 2007 Prospectus stated merely that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

102. Similarly, the June 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the Corporation’s class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act*. On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

103. Finally, the December 2009 Prospectus stated only that:

The Corporation was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Mt. Kearsarge Minerals Inc. and 1028412 Ontario Inc. pursuant to articles of amalgamation dated March 14, 1994. The articles of amalgamation were amended by articles of amendment filed on July 20, 1995 and May 20, 1999 to effect certain changes in the provisions attaching to the

Corporation's class A subordinate-voting shares and class B multiple-voting shares. On June 25, 2002, the Corporation filed articles of continuance to continue under the *Canada Business Corporations Act* (the "CBCA"). On June 22, 2004, the Corporation filed articles of amendment whereby its class A subordinate-voting shares were reclassified as Common Shares and its class B multiple-voting shares were eliminated.

104. The failure to disclose the true nature of, and/or Sino's revenues and profits from, SJXT and Leizhou in the historical narrative in the Prospectuses rendered those Prospectuses materially false and misleading. Those historical facts would have alerted persons who purchased Sino shares under the Prospectuses, and/or in the secondary markets, to the highly elevated risk of investing in a company that continued to be controlled by Chan and Poon, both of whom were founders of Sino, and both of whom had knowingly misrepresented the true nature of Leizhou and SJXT from the time of Sino's creation. Thus, Sino was required to disclose those historical facts to the Class Members during the Class Period, but failed to do so, either in the Prospectuses or in any other Impugned Document.

**B. *Misrepresentations relating to Sino's Forestry Assets***

*(i) Sino Overstates its Yunnan Forestry Assets*

105. In a press release issued by Sino and filed on SEDAR on March 23, 2007, Sino announced that it had entered into an agreement to sell 26 million shares to several institutional investors for gross proceeds of US\$200 million, and that the proceeds would be used for the acquisition of standing timber, including pursuant to a new agreement to purchase standing timber in Yunnan Province. It further stated in that press release that Sino-Panel (Asia) Inc. ("Sino-Panel"), a wholly-owned subsidiary of Sino, had entered on that same day into an agreement with Gengma Dai and Wa Tribes Autonomous Region Forestry Company Ltd., ("Gengma Forestry") established in Lincang City, Yunnan Province in the PRC, and that, under that Agreement, Sino-Panel would acquire approximately 200,000 hectares of non-state owned

commercial standing timber in Lincang City and surrounding cities in Yunnan for US\$700 million to US\$1.4 billion over a 10-year period.

106. These same terms of Sino's Agreement with Gengma Forestry were disclosed in Sino's Q1 2007 MD&A. Moreover, throughout the Class Period, Sino discussed its purported Yunnan acquisitions in the Impugned Documents, and Pöyry repeatedly made statements regarding said holdings, as particularized below.

107. The reported acquisitions did not take place. Sino overstated to a material degree the size and value of its forestry holdings in Yunnan Province. It simply does not own all of the trees it claims to own in Yunnan. Sino's overstatement of the Yunnan forestry assets violated GAAP.

108. The misrepresentations about Sino's acquisition and holdings of the Yunnan forestry assets were made in all of the Impugned Documents that were MD&As, financial statements, AIFs, Prospectuses and Offering Memoranda, except for the 2005 Audited Annual Financial Statements, the Q1 2006 interim financial statements, the 2006 Audited Annual Financial Statements, the 2006 Annual MD&A.

(ii) *Sino Overstates its Suriname Forestry Assets; Alternatively, Sino fails to Disclose the Material Fact that its Suriname Forestry Assets are contrary to the Laws of Suriname*

109. In mid-2010, Sino became a majority shareholder of Greenheart Group Ltd., a Bermuda corporation having its headquarters in Hong Kong, China and a listing on the Hong Kong Stock Exchange ("Greenheart").

110. In August 2010, Greenheart issued an aggregate principal amount of US\$25,000,000 convertible notes for gross proceeds of US\$24,750,000. The sole subscriber of these convertible notes was Greater Sino Holdings Limited, an entity in which Murray has an indirect interest. In

addition, Chan and Murray then became members of Greenheart's Board, Chan became the Board's Chairman, and Martin became the CEO of Greenheart and a member of its Board.

111. On August 24, 2010 and December 28, 2010, Greenheart granted to Chan, Martin and Murray options to purchase, respectively, approximately 6.8 million, 6.8 million and 1.1 million Greenheart shares. The options are exercisable for a five-year term.

112. As at March 31, 2011, General Enterprise Management Services International Limited, a company in which Murray has an indirect interest, held 7,000,000 shares of Greenheart, being 0.9% of the total issued and outstanding shares of Greenheart.

113. As a result of the aforesaid transactions and interests, Sino, Chan, Martin and Murray stood to profit handsomely from any inflation in the market price of Greenheart's shares.

114. At all material times, Greenheart purported to have forestry assets in New Zealand and Suriname. On March 1, 2011, Greenheart issued a press release in which it announced that:

**Greenheart acquires certain rights to additional 128,000 hectare concession in Suriname**

\*\*\*\*\*

**312,000 hectares now under Greenheart management**

Hong Kong, March 1, 2011 – Greenheart Group Limited (“Greenheart” or “the Company”) (HKSE: 00094), an investment holding company with forestry assets in Suriname and New Zealand (subject to certain closing conditions) today announced that *the Company has acquired 60% of Vista Marine Services N.V. (“Vista”), a private company based in Suriname, South America that controls certain harvesting rights to a 128,000 hectares hardwood concession. Vista will be rebranded as part of the Greenheart Group. This transaction will increase Greenheart's concessions under management in Suriname to approximately 312,000 hectares.* The cost of this acquisition is not material to the Company as a whole but the Company is optimistic about the prospects of Vista and the positive impact that it will bring. *The concession is located in the Sipalawini district of Suriname, South America, bordering Lake Brokopondo and has an estimated annual allowable cut of approximately 100,000 cubic meters.*

Mr. Judson Martin, Chief Executive Officer of Greenheart and Vice-Chairman of Sino-Forest Corporation, the Company's controlling shareholder said, "This acquisition is in line with our growth strategy to expand our footprint in Suriname. In addition to increased harvestable area, this acquisition will bring synergies in sales, marketing, administration, financial reporting and control, logistics and overall management. I am pleased to welcome Mr. Ty Wilkinson to Greenheart as our minority partner. Mr. Wilkinson shares our respect for the people of Suriname and the land and will be appointed Chief Executive Officer of this joint venture and be responsible for operating in a sustainable and responsible manner. This acquisition further advances Greenheart's strategy of becoming a global agri-forestry company. We will continue to actively seek well-priced and sustainable concessions in Suriname and neighboring regions in the coming months."

[Emphasis added.]

115. In its 2010 AIF, filed on SEDAR on March 31, 2011, Sino stated:

We hold a majority interest in Greenheart Group which, together with its subsidiaries, owns certain rights and *manages approximately 312,000 hectares of hardwood forest concessions in the Republic of Suriname, South America* ("Suriname") and 11,000 hectares of a radiata pine plantation on 13,000 hectares of freehold land in New Zealand as at March 31, 2011. *We believe that our ownership in Greenheart Group will strengthen our global sourcing network in supplying wood fibre for China in a sustainable and responsible manner.*

[Emphasis added.]

116. The statements reproduced in the preceding paragraph were false and/or materially misleading when made. Under the Suriname *Forest Management Act*, it is prohibited for one company or a group of companies in which one person or company has a majority interest to control more than 150,000 hectares of land under concession. Therefore, either Greenheart's concessions under management in Suriname did not exceed 150,000 hectares, or Greenheart's concessions under management in Suriname violated the laws of Suriname, which was a material fact not disclosed in any of the Impugned Documents.

117. In each of the October 2010 Offering Memorandum, the 2010 Annual MD&A, the 2010 AIF, Sino represented that Greenheart had well in excess of 150,000 hectares of concession

under management in Suriname without however disclosing that Suriname law imposed a limit of 150,000 hectares on Greenheart and its subsidiaries,

118. Finally, Vista's forestry concessions are located in a region of Suriname populated by the Saramaka, an indigenous people. Pursuant to the American Convention on Human Rights and a decision of the Inter-American Court of Human Rights, the Saramaka people must have effective control over their land, including the management of their reserves, and must be effectively consulted by the State of Suriname. Sino has not disclosed in any of the Impugned Documents where it has discussed Greenheart and/or Suriname assets that Vista's purported concessions in Suriname, if they exist at all, are impaired due to the unfulfilled rights of the indigenous people of Suriname, in violation of GAAP. The Impugned Documents that omitted that disclosure were the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

*(iii) Sino overstates its Jiangxi Forestry Assets*

119. On June 11, 2009, Sino issued a press release in which it stated:

Sino-Forest Corporation (TSX: TRE), a leading commercial forest plantation operator in China, announced today that its wholly-owned subsidiary, Sino-Panel (China) Investments Limited ("Sino-Panel"), has entered into a Master Agreement for the Purchase of Pine and Chinese Fir Plantation Forests (the "Jiangxi Master Agreement") with Jiangxi Zhonggan Industrial Development Company Limited ("Jiangxi Zhonggan"), which will act as the authorized agent for the original plantation rights holders.

Under the Jiangxi Master Agreement, Sino-Panel will, through PRC subsidiaries of Sino-Forest, acquire between 15 million and 18 million cubic metres (m<sup>3</sup>) of wood fibre located in plantations in Jiangxi Province over a three-year period with a price not to exceed RMB300 per m<sup>3</sup>, to the extent permitted under the relevant PRC laws and regulations. *The plantations in which such amount of wood fibre to acquire is between 150,000 and 300,000 hectares* to achieve an estimated average wood fibre yield of approximately 100 m<sup>3</sup> per hectare, and include tree species such as pine, Chinese fir and others. Jiangxi Zhonggan will ensure plantation forests sold to Sino-Panel and its PRC subsidiaries are non-state-owned, non-natural, commercial plantation forest trees.

In addition to securing the maximum tree acquisition price, Sino-Panel has pre-emptive rights to lease the underlying plantation land at a price, permitted under the relevant PRC laws and regulations, not to exceed RMB450 per hectare per annum for 30 years from the

time of harvest. The land lease can also be extended to 50 years as permitted under PRC laws and regulations. The specific terms and conditions of purchasing or leasing are to be determined upon the execution of definitive agreements between the PRC subsidiaries of Sino-Panel and Jiangxi Zhonggan upon the authorisation of original plantation rights holders, and subject to the requisite governmental approval and in compliance with the relevant PRC laws and regulations.

*Sino-Forest Chairman and CEO Allen Chan said, "We are fortunate to have been able to capture and support investment opportunities in China's developing forestry sector by locking up a large amount of fibre at competitive prices. The Jiangxi Master Agreement is Sino-Forest's fifth, long-term, fibre purchase agreement during the past two years. These five agreements cover a total plantation area of over one million hectares in five of China's most densely forested provinces."*

[Emphasis added.]

120. According to Sino's 2010 Annual MD&A, as of December 31, 2010, Sino had acquired 59,700 ha of plantation trees from Jiangxi Zhonggan Industrial Development Company Limited ("Zhonggan") for US\$269.1 million under the terms of the master agreement. (In its interim report for the second quarter of 2011, which was issued after the Class Period, Sino claims that, as at June 30, 2011, this number had increased to 69,100 ha, for a purchase price of US\$309.6 million).

121. However, as was known to Sino, Chan, Poon and Horsley, and as ought to have been known to the remaining Individual Defendants, BDO, E&Y and Pöyry, Sino's plantation acquisitions through Zhonggan are materially smaller than Sino has claimed.

*(iv) Pöyry makes Misrepresentations in relation to Sino's Forestry Assets*

122. As particularized above, Sino overstated its forestry assets in Yunnan and Jiangxi Provinces in the PRC and in Suriname. Accordingly, Sino's total assets are overstated to a material degree in all of the Impugned Documents, in violation of GAAP, and each such statement of Sino's total assets constitutes a misrepresentation.

123. In addition, during the Class Period, Pöyry and entities affiliated with it made statements that are misrepresentations in regard to Sino's Yunnan Province "assets," namely:

- (a) In a report dated March 14, 2008, filed on SEDAR on March 31, 2008 (the "2008 Valuations"), Pöyry: (a) stated that it had determined the valuation of the Sino forest assets to be US\$3.2 billion as at 31 December 2007; (b) provided tables and figures regarding Yunnan; (c) stated that "Stands in Yunnan range from 20 ha to 1 000 ha," that "In 2007 Sino-Forest purchased an area of mixed broadleaf forest in Yunnan Province," that "Broadleaf forests already acquired in Yunnan are all mature," and that "Sino-Forest is embarking on a series of forest acquisitions/expansion efforts in Hunan, Yunnan and Guangxi;" and (d) provided a detailed discussion of Sino's Yunnan "holdings" at Appendixes 3 and 5. Pöyry's 2008 Valuations were incorporated in Sino's 2007 Annual MD&A, amended 2007 Annual MD&A, 2007 AIF, each of the Q1, Q2, and Q3 2008 MD&As, Annual 2008 MD&A, amended Annual 2008 MD&A, each of the Q1, Q2 and Q3 2009, annual 2009 MD&A, and July 2008 and December 2009 Offering Memoranda;
- (b) In a report dated April 1, 2009 and filed on SEDAR on April 2, 2009 (the "2009 Valuations"), Pöyry stated that "[t]he area of forest owned in Yunnan has quadrupled from around 10 000 ha to almost 40 000 ha over the past year," provided figures and tables regarding Yunnan, and stated that "Sino-Forest has increased its holding of broadleaf crops in Yunnan during 2008, with this province containing nearly 99% of its broadleaf resource." Pöyry's 2009 Valuations were incorporated in Sino's 2008 AIF, each of the Q1, Q2, Q3 2009 MD&As, Annual 2009 MD&A, June 2009 Offering Memorandum, and June 2009 and December 2009 Prospectuses;
- (c) In a "Final Report" dated April 23, 2010, filed on SEDAR on April 30, 2010 (the "2010 Valuations"), Pöyry stated that "Guangxi, Hunan and Yunnan are the three largest provinces in terms of Sino-Forest's holdings. The largest change in area by province, both in absolute and relative terms [sic] has been Yunnan, where the



area of forest owned has almost tripled, from around 39 000 ha to almost 106 000 ha over the past year,” provided figures and tables regarding Yunnan, stated that “Yunnan contains 106 000 ha, including 85 000 ha or 99% of the total broadleaf forest,” stated that “the three provinces of Guangxi, Hunan and Yunnan together contain 391 000 ha or about 80% of the total forest area of 491 000 ha” and that “[a]lmost 97% of the broadleaf forest is in Yunnan,” and provided a detailed discussion of Sino’s Yunnan “holdings” at Appendixes 3 and 4. Pöyry’s 2010 Valuations were incorporated in Sino’s 2009 AIF, the annual 2009 MD&A, each of the Q1, Q2 and Q3 2010 MD&As, and the October 2010 Offering Memorandum;

- (d) In a “Summary Valuation Report” regarding “Valuation of Purchased Forest Crops as at 31 December 2010” and dated May 27, 2011, Pöyry provided tables and figures regarding Yunnan, stated that “[t]he major changes in area by species from December 2009 to 2010 has been in Yunnan pine, with acquisitions in Yunnan and Sichuan provinces” and that “[a]nalysis of [Sino’s] inventory data for broadleaf forest in Yunnan, and comparisons with an inventory that Pöyry undertook there in 2008 supported the upwards revision of prices applied to the Yunnan broadleaf large size log,” and stated that “[t]he yield table for Yunnan pine in Yunnan and Sichuan provinces was derived from data collected in this species in these provinces by Pöyry during other work;” and
- (e) In a press release titled “Summary of Sino-Forest’s China Forest Asset 2010 Valuation Reports” and which was “jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports,” Pöyry reported on Sino’s “holdings” and estimated the market value of Sino’s forest assets on the 754,816 ha to be approximately US\$3.1 billion as at December 31, 2010.

**C. *Misrepresentations relating to Sino's Related Party Transactions***

**(i) *Related Party Transactions Generally***

124. Under GAAP and GAAS, a "related party" exists "when one party has the ability to exercise directly or indirectly, control, joint control or significant influence over the other." (CICA Handbook 3840.03) Examples include a parent-subsidiary relationship or an entity that is economically dependent upon another.

125. Related parties raise the concern that transactions may not be conducted at arm's length, and pricing or other terms may not be determined at fair market values. For example, when a subsidiary "sells" an asset to its parent at a given price, it may not be appropriate that that asset be reported on the balance sheet or charged against the earnings of the parent at that price. Where transactions are conducted between arm's length parties, this concern is generally not present.

126. The existence of related party transactions is important to investors irrespective of the reported dollar values of the transactions because the transactions may be controlled, manipulated and/or concealed by management (for example, for corporate purposes or because fraudulent activity is involved), and because such transactions may be used to benefit management or persons close to management at the expense of the company, and therefore its shareholders.

**(ii) *Sino fails to disclose that Zhonggan was a Related Party***

127. Irrespective of the true extent of Zhonggan's transactions in Jiangxi forestry plantations, Sino failed to disclose, in violation of GAAP, that Zhonggan was a related party of Sino. More particularly, according to AIC records, the legal representative of Zhonggan is Lam Hong Chiu, who is an executive vice president of Sino. Lam Hong Chiu is also a director and a 50%

shareholder of China Square Industrial Limited, a BVI corporation which, according to AIC records, owns 80% of the equity of Zhonggan.

128. The Impugned Documents that omitted that disclosure were the Q2 2009 MD&A, the Q2 2009 interim financial statements, the Q3 2009 MD&A, the Q3 2009 interim financial statements, the December 2009 Prospectus, the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

*(iii) Sino fails to disclose that Homix was a Related Party*

129. On January 12, 2010, Sino issued a press release in which it announced the acquisition by one of its wholly-owned subsidiaries of Homix Limited (“Homix”), which it described as a company engaged in research and development and manufacturing of engineered-wood products in China, for an aggregate amount of US\$7.1 million. That press release stated:

HOMIX has an R&D laboratory and two engineered-wood production operations based in Guangzhou and Jiangsu Provinces, covering eastern and southern China wood product markets. The company has developed a number of new technologies with patent rights, specifically suitable for domestic plantation logs including poplar and eucalyptus species. HOMIX specializes in curing, drying and dyeing methods for engineered wood and has the know-how to produce recomposed wood products and laminated veneer lumber. Recomposed wood technology is considered to be environment-friendly and versatile as it uses fibre from forest plantations, recycled wood and/or wood residue. This reduces the traditional use of large-diameter trees from natural forests. There is growing demand for recomposed wood technology as it reduces cost for raw material while increases the utilization and sustainable use of plantation fibre for the production of furniture and interior/exterior building materials.

[...]

Mr. Allen Chan, Sino-Forest’s Chairman & CEO, said, “As we continue to ramp up our replanting programme with improved eucalyptus species, it is important for Sino-Forest to continue investing in the research and development that maximizes all aspects of the

forest product supply chain. Modernization and improved productivity of the wood processing industry in China is also necessary given the country's chronic wood fibre deficit. Increased use of technology improves operation efficiency, and maximizes and broadens the use of domestic plantation wood, which reduces the need for logging domestic natural forests and for importing logs from strained tropical forests. HOMIX has significant technological capabilities in engineered-wood processing."

Mr. Chan added, "By acquiring HOMIX, we intend to use six-year eucalyptus fibre instead of 30-year tree fibre from other species to produce quality lumber using recomposed technology. We believe that this will help preserve natural forests as well as improve the demand for and pricing of our planted eucalyptus trees."

130. Sino's 2009 Audited Annual Financial Statements, Q1/2010 Unaudited Interim Financial Statements, 2010 Audited Annual Financial Statements, the MD&As related to each of the aforementioned financial statements, and Sino's AIFs for 2009 and 2010, each discussed the acquisition of Homix, but nowhere disclosed that Homix was in fact a related party of Sino.

131. More particularly, Hua Chen, a Senior Vice President, Administration & Finance, of Sino in the PRC, and who joined Sino in 2002, is a 30% shareholder of an operating subsidiary of Homix, Jiangsu Dayang Wood Co., Ltd. ("Jiangsu")

132. In order to persuade current and prospective Sino shareholders that there was a commercial justification for the Homix acquisition, Sino misrepresented Homix's patent designs registered with the PRC State Intellectual Property Office. In particular, in its 2009 Annual Report, Sino stated:

#### HOMIX acquisition

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

variety of downstream customers and enhancing economic rural development. [Emphasis added]

133. However, Homix itself then had no patent designs registered with the PRC State Intellectual Property Office. At that time, Homix had two subsidiaries, Jiangsu and Guangzhou Pany Dacheng Wood Co. The latter then had no patent designs registered with the PRC State Intellectual Property Office, while Jiangsu had two patent designs. However, each such design was for wood dyeing, and not for the conversion of small-diameter plantation logs into building materials and furniture.

*(iv) Sino fails to disclose that Yunnan Shunxuan was a Related Party*

134. In addition, during the Class Period, Sino purportedly purchased approximately 1,600 hectares of timber in Yunnan province from Yunnan Shunxuan Forestry Co. Ltd. Yunnan Shunxuan was part of Sino, acting under a separate label. Accordingly, it was considered a related party for the purposes of the GAAP disclosure requirements, a fact that Sino failed to disclose.

135. The Impugned Documents that omitted that disclosure were the 2009 Annual MD&A, the 2009 Audited Annual Financial Statements, the 2009 AIF, the Q1 2010 MD&A, the Q1 2010 interim financial statements, the Q2 2010 MD&A, the Q2 2010 interim financial statements, the Q3 2010 MD&A, the Q3 2010 interim financial statements, the 2010 Annual MD&A, the 2010 Audited Annual Financial Statements, and the 2010 AIF.

136. Sino's failure to disclose that Yunnan Shunxuan was a related party was a violation of GAAP, and a misrepresentation.

*(v) Sino fails to disclose that Yuda Wood was a Related Party*

137. Huaihua City Yuda Wood Co. Ltd., based in Huaihua City, Hunan Province ("Yuda Wood"), was a major supplier of Sino at material times. Yuda Wood was founded in April 2006

and, from 2007 until 2010, its business with Sino totalled approximately 152,164 Ha and RMB 4.94 billion.

138. During that period, Yuda Wood was a related party of Sino. Indeed, in the Second Report, the IC acknowledged that *“there is evidence suggesting close cooperation [between Sino and Yuda Wood] (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood’s RMB bank accounts and the numerous emails indicating coordination of funding and other business activities)”* [emphasis added.]

139. The fact that Yuda Wood was a related party of Sino during the Class Period was a material fact and was required to be disclosed under GAAP, but, during the Class Period, that fact was not disclosed by Sino in any of the Impugned Documents, or otherwise.

*(vi) Sino fails to Disclose that Major Suppliers were Related Parties*

140. At material times, Sino had at least thirteen suppliers where former Sino employees, consultants or secondees are or were directors, officers and/or shareholders of one or more such suppliers. Due to these and other connections between these suppliers and Sino, some or all of such suppliers were in fact undisclosed related parties of Sino.

141. Including Yuda Wood, the thirteen suppliers referenced above accounted for 43% of Sino’s purported plantation purchases between 2006 and the first quarter of 2011.

142. In none of the Impugned Documents did Sino disclose that any of these suppliers were related parties, nor did it disclose sufficient particulars of its relations with such suppliers as would have enabled the investing public to ascertain that those suppliers were related parties.

D. *Misrepresentations relating to Sino's Relations with Forestry Bureaus and its Purported Title to Forestry Assets in the PRC*

143. In at least two instances during the Class Period, PRC forestry bureau officials were either concurrently or subsequently employees of, or consultants to, Sino. One forestry bureau assigned employees to Sino and other companies to assist in the development of the forestry industry in its jurisdiction.

144. In addition, a vice-chief of the forestry bureau was assigned to work closely with Sino, and while that vice chief still drew a basic salary from the forestry bureau, he also acted as a consultant to Sino in the conduct of Sino's business. This arrangement was in place for several years. That vice-chief appeared on Sino's payroll from January 2007 with a monthly payment of RMB 15,000, which was significant compared with his forestry bureau salary.

145. In addition, at material times, Sino and/or its subsidiaries and/or its suppliers made cash payments and gave "gifts" to forestry bureau officials, which potentially constituted a serious criminal offence under the laws of the PRC. At least some of these payments and gifts were made or given in order to induce the recipients to issue "confirmation letters" in relation to Sino's purported holdings in the PRC of standing timber. These practices utterly compromised the integrity of the process whereby those "confirmation letters" were obtained.

146. Further, a chief of a forestry bureau who had authorized the issuance of confirmations to Sino was arrested due to corruption charges. That forestry bureau had issued confirmations only to Sino and to no other companies. Subsequent to the termination of that forestry bureau chief, that forestry bureau did not issue confirmations to any company.

147. The foregoing facts were material because: (1) they undermined the reliability (if any) of the documentation upon which Sino relied and continues to rely to establish its ownership of

standing timber; and (2) the corruption in which Sino was engaged exposed Sino to potential criminal penalties, including substantial fines, as well as a risk of severe reputational damage in Sino's most important market, the PRC.

148. However, none of these facts was disclosed in any of the Impugned Documents. On the contrary, Sino only made the following disclosure regarding former government officials in its 2007 Annual Report (and in no other Impugned Document), which was materially incomplete, and a misrepresentation:

To ensure successful growth, we have trained and promoted staff from within our organization, and hired knowledgeable people with relevant working experience and industry expertise – some joined us from forestry bureaus in various regions and provinces and/or state-owned tree farms. [...] 4. Based in Heyuan, Guangdong, Deputy GM responsible for Heyuan plantations, previously with forestry bureau; studied at Yangdongxian Dangxiao [Mr. Liang] 5. Based in Hunan, Plantation controller, graduated from Hunan Agricultural University, previously Assistant Manager of state-owned farm trees in Hunan [Mr. Xie].

149. In respect of Sino's purported title to standing timber in the PRC, Sino possessed Plantation Rights Certificates, or registered title, only in respect of 18% of its purported holdings of standing timber as at December 31, 2010, a fact nowhere disclosed by Sino during the Class Period. This fact was highly material to Sino, inasmuch as standing timber comprised a large proportion of Sino's assets throughout the Class Period, and in the absence of Plantation Rights Certificates, Sino could not establish its title to that standing timber.

150. Rather than disclose this highly material fact, Sino made the following misrepresentations in the following Impugned Documents:

- (a) In the 2008 AIF: *"We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased tree plantations and planted tree plantations currently under our management, and we are in the process of applying for the plantation rights*



certificates for those plantations for which we have not obtained such certificates” [emphasis added];

- (b) In the 2009 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added]; and
- (c) In the 2010 AIF: “*We have obtained the plantation rights certificates or requisite approvals for acquiring the relevant plantation rights for most of the purchased plantations and planted plantations currently under our management*, and we are in the process of applying for the plantation rights certificates for those plantations for which we have not obtained such certificates” [emphasis added].

151. In the absence of Plantation Rights Certificates, Sino relies principally on the purchase contracts entered into by its BVI subsidiaries (“BVIs”) in order to demonstrate its ownership of standing timber.

152. However, under PRC law, those contracts are void and unenforceable.

153. In the alternative, if those contracts are valid and enforceable, they are enforceable only as against the counterparties through which Sino purported to acquire the standing timber, and not against the party who has registered title (if any) to the standing timber. Because some or all of those counterparties were or became insolvent, corporate shells or thinly capitalized, then any claims that Sino would have against those counterparties under PRC law, whether for unjust enrichment or otherwise, were of little to no value, and certainly constituted no substitute for registered title to the standing timber which Sino purported to own.

154. Sino never disclosed these material facts during the Class Period, whether in the Impugned Documents or otherwise. On the contrary, Sino made the following misrepresentations in relation to its purported title to standing timber:

- (a) In the July 2008 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (b) In the June 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (c) In the October 2010 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations”;
- (d) In the 2006 AIF, Sino stated “Based on the supplemental purchase contracts and the plantation rights certificates issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (e) In the 2007 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry departments, we have the legal right to own our purchased tree plantations”;
- (f) In the 2008 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased tree plantations”;

- (g) In the 2009 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”;
- (h) In the December 2009 Offering Memorandum, Sino stated “Based on the relevant purchase contracts and the approvals issued by the local forestry bureaus, we legally own our purchased plantations”; and
- (i) In the 2010 AIF, Sino stated “Based on the relevant purchase contracts and the approvals issued by the relevant forestry bureaus, we legally own our purchased plantations.”

155. In addition, during the Class Period, Sino never disclosed the material fact, belatedly revealed in the Second Report, that “*in practice it is not able to obtain Plantation Rights Certificates for standing timber purchases when no land transfer rights are transferred*” [emphasis added].

156. On the contrary, during the Class Period, Sino made the following misrepresentation in each of the 2006 and 2007 AIFs:

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and its system of issuing certificates to the persons having plantation land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the PRC State Forestry Bureau announced the “Notice on the Implementation of Nationwide Uniform Plantation Right Certificates” (Lin Zi Fa [2000] No. 159) on April 19, 2000 (the “Notice”). Under the Notice, a new uniform form of plantation rights certificate is to be used commencing from the date of the Notice. *The same type of new form plantation rights certificate will be issued to the persons having the right to use the plantation land, to persons who own the plantation land and plantation trees, and to persons having the right to use plantation trees.*

[Emphasis added]

157. Under PRC law, county and provincial forestry bureaus have no authority to issue confirmation letters. Such letters cannot be relied upon in a court of law to resolve a dispute and are not a guarantee of title. Notwithstanding this, during the Class Period, Sino made the following misrepresentations:

- (a) In the 2006 AIF: “In addition, for the purchased tree plantations, *we have obtained confirmations from the relevant forestry bureaus that we have the legal right to own the purchased tree plantations for which we have not received certificates*” [emphasis added]; and
- (b) In the 2007 AIF: “For our Purchased Tree Plantations, we have applied for the relevant Plantation Rights Certificates with the competent local forestry departments. As the relevant locations where we purchased our Purchased Tree Plantations have not fully implemented the new form Plantation Rights Certificate, we are not able to obtain all the corresponding Plantation Rights Certificates for our Purchased Tree Plantations. *In this connection, we obtained confirmation on our ownership of our Purchased Tree Plantations from the relevant forestry departments.*” [emphasis added]

*E. Misrepresentations relating to Sino's Relationships with its AIs*

158. In addition to the misrepresentations alleged above in relation to Sino's AIs, including those alleged in Section VI.C hereof (*Misrepresentations relating to Sino's Related Party Transactions*), Sino made the following misrepresentations during the Class Period in relation to its relationships with its AIs.

*(i) Sino Misrepresents the Degree of its Reliance on its AIs*

159. On March 30, 2007, Sino issued and filed on SEDAR its 2006 AIF. In that AIF, Sino stated:

...PRC laws and regulations require foreign companies to obtain licenses to engage in any business activities in the PRC. As a result of these requirements, we currently engage in our trading activities through PRC authorized intermediaries that have the requisite business licenses. There is no assurance that the PRC government will not take action to restrict our ability to engage in trading activities through our authorized intermediaries. *In order to reduce our reliance on the authorized intermediaries, we intend to use a WFOE in the PRC to enter into contracts directly with suppliers of raw timber, and then process the raw timber, or engage others to process raw timber on its behalf, and sell logs, wood chips and wood-based products to customers, although it would not be able to engage in pure trading activities.*

[Emphasis added.]

160. In its 2007 AIF, which Sino filed on March 28, 2008, Sino again declared its intention to reduce its reliance upon AIs.

161. These statements were false and/or materially misleading when made, inasmuch as Sino had no intention to reduce materially its reliance on AIs, because its AIs were critical to Sino's ability to inflate its revenue and net income. Rather, these statements had the effect of mitigating any investor concern arising from Sino's extensive reliance upon AIs.

162. Throughout the Class Period, Sino continued to depend heavily upon AIs for its purported sales of standing timber. In fact, contrary to Sino's purported intention to reduce its reliance on its AIs, Sino's reliance on its AIs in fact *increased* during the Class Period.

(ii) *Sino Misrepresents the Tax-related Risks Arising from its use of AIs*

163. Throughout the Class Period, Sino materially understated the tax-related risks arising from its use of AIs.

164. Tax evasion penalties in the PRC are severe. Depending on whether the PRC authorities seek recovery of unpaid taxes by means of a civil or criminal proceeding, its claims for unpaid tax are subject to either a five- or ten-year limitation period. The unintentional failure to pay taxes is subject to a 0.05% per day interest penalty, while an intentional failure to pay taxes is punishable with fines of up to five times the unpaid taxes, and confiscation of part or all of the criminal's personal properties may be also imposed.

165. Therefore, because Sino professed to be unable to determine whether its AIs have paid required taxes, the tax-related risks arising from Sino's use of AIs were potentially devastating. Sino failed, however, to disclose these aspects of the PRC tax regime in its Class Period disclosure documents, as alleged more particularly below.

166. Based upon Sino's reported results, Sino's tax accruals in all of its Impugned Documents that were interim and annual financial statements were materially deficient. For example, depending on whether the PRC tax authorities would assess interest at the rate of 18.75% per annum, or would assess no interest, on the unpaid income taxes of Sino's BVI subsidiaries, and depending also on whether one assumes that Sino's AIs have paid no income taxes or have paid 50% of the income taxes due to the PRC, then Sino's tax accruals in its 2007, 2008, 2009 and 2010 Audited Annual Financial Statements were understated by, respectively, US\$10 million to US\$150 million, US\$50 million to US\$260 million, US\$81 million to US\$371 million, and US\$83 million to US\$493 million. Importantly, were one to consider the impact of unpaid taxes other than unpaid income taxes (for example, unpaid value-added taxes), then the amounts by

which Sino's tax accruals were understated in these financial statements would be substantially larger.

167. The aforementioned estimates of the amounts by which Sino's tax accruals were understated also assume that the PRC tax authorities only impose interest charges on Sino's BVI Subsidiaries and impose no other penalties for unpaid taxes, and assume further that the PRC authorities seek back taxes only for the preceding five years. As indicated above, each of these assumptions is likely to be unduly optimistic. In any case, Sino's inadequate tax accruals violated GAAP, and constituted misrepresentations.

168. Sino also violated GAAP in its 2009 Audited Annual Financial Statements by failing to apply to its 2009 financial results the PRC tax guidance that was issued in February 2010. Although that guidance was issued after year-end 2009, GAAP required that Sino apply that guidance to its 2009 financial results, because that guidance was issued in the subsequent events period.

169. Based upon Sino's reported profit margins on its dealings with AIs, which margins are extraordinary both in relation to the profit margins of Sino's peers, and in relation to the limited risks that Sino purports to assume in its transactions with its AIs, Sino's AIs are not satisfying their tax obligations, a fact that was either known to the Defendants or ought to have been known. If Sino's extraordinary profit margins are real, then Sino and its AIs must be dividing the gains from non-payment of taxes to the PRC.

170. During the Class Period, Sino never disclosed the true nature of the tax-related risks to which it was exposed. This omission, in violation of GAAP, rendered each of the following statements a misrepresentation:

oo

- (a) In the 2006 Annual Financial Statements, note 11 [b] "Provision for tax related liabilities" and associated text;
- (b) In the 2006 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (c) In the AIF dated March 30, 2007, the section "Estimation of the Company's provision for income and related taxes," and associated text;
- (d) In the Q1 and Q2 2007 Financial Statements, note 5 "Provision for Tax Related Liabilities," and associated text;
- (e) In the Q3 2007 Financial Statements, note 6 "Provision for Tax Related Liabilities," and associated text;
- (f) In the 2007 Annual Financial Statements, note 13 [b] "Provision for tax related liabilities," and associated text;
- (g) In the 2007 Annual MD&A and Amended 2007 Annual MD&A, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (h) In the AIF dated March 28, 2008, the section "Estimation of the Corporation's provision for income and related taxes," and associated text;
- (i) In the Q1, Q2 and Q3 2008 Financial Statements, note 12 "Provision for Tax Related Liabilities," and associated text;
- (j) In the Q1, Q2 and Q3 2008 MD&As, the subsection "Provision for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (k) In the July 2008 Offering Memorandum, the subsection "Taxation" in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," and associated text;



- (l) In the 2008 Annual Financial Statements, note 13 [d] “Provision for tax related liabilities,” and associated text;
- (m) In the 2008 Annual MD&A and Amended 2008 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (n) In the AIF dated March 31, 2009, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text;
- (o) In the Q1, Q2 and Q3 2009 Financial Statements, note 13 “Provision for Tax Related Liabilities,” and associated text;
- (p) In the Q1, Q2 and Q3 2009 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (q) In the 2009 Annual Financial Statements, note 15 [d] “Provision for tax related liabilities,” and associated text;
- (r) In the 2009 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (s) In the AIF dated March 31, 2010, the section “We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned,” and associated text;
- (t) In the Q1 and Q2 2010 Financial Statements, note 14 “Provision for Tax Related Liabilities,” and associated text;
- (u) In the Q1 and Q2 2010 MD&As, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;

- (v) In the Q3 2010 Financial Statements, note 14 "Provision and Contingencies for Tax Related Liabilities," and associated text; and
- (w) In the Q3 2010 MD&As, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text;
- (x) In the October 2010 Offering Memorandum, the subsection "Taxation" in the section "Selected Financial Information," and associated text;
- (y) In the 2010 Annual Financial Statements, note 18 "Provision and Contingencies for Tax Related Liabilities," and associated text;
- (z) In the 2010 Annual MD&A, the subsection "Provision and Contingencies for Tax Related Liabilities" in the section "Critical Accounting Estimates," and associated text; and
- (aa) In the AIF dated March 31, 2011, the section "We may be liable for income and related taxes to our business and operations, particularly our BVI Subsidiaries, in amounts greater than the amounts we have estimated and for which we have provisioned," and associated text.

171. In every Impugned Document that is a financial statement, the line item "Accounts payable and accrued liabilities" and associated figures on the Consolidated Balance Sheets fails to properly account for Sino's tax accruals and is a misrepresentation, and a violation of GAAP.

172. During the Class Period, Sino also failed to disclose in any of the Impugned Documents that were AIFs, MD&As, financial statements, Prospectuses or Offering Memoranda, the risks relating to the repatriation of its earnings from the PRC. In 2010, Sino added two new sections to its AIF regarding the risk that it would not be able to repatriate earnings from its BVI subsidiaries (which deal with the AIs). The amount of retained earnings that may not be able to be repatriated is stated therein to be US\$1.4 billion. Notwithstanding this disclosure, Sino did not

disclose in these Impugned Documents that it would be unable to repatriate *any* earnings absent proof of payment of PRC taxes, which it has admitted that it lacks.

*(iii) Sino Misrepresents its Accounting Treatment of its AIs*

173. In addition, there are material discrepancies in Sino's descriptions of its accounting treatment of its AIs. Beginning in the 2003 AIF, Sino described its AIs as follows:

Because of the provisions in the Operational Procedures that specify when we and the authorized intermediary assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the authorized intermediary. Title then passes to the authorized intermediary once the timber is processed into wood chips. *Accordingly, we treat the authorized intermediaries for accounting purposes as being both our suppliers and customers in these transactions.*

[Emphasis added.]

174. Sino's disclosures were consistent in that regard up to and including Sino's first AIF issued in the Class Period (the 2006 AIF), which states:

Because of the provisions in the Operational Procedures that specify when we and the AI assume the risks and obligations relating to the raw timber or wood chips, as the case may be, we treat these transactions for accounting purposes as providing that we take title to the raw timber when it is delivered to the AI. Title then passes to the AI once the timber is processed into wood chips. *Accordingly, we treat the AI for accounting purposes as being both our supplier and customer in these transactions.*

[Emphasis added.]

175. In subsequent AIFs, Sino ceased without explanation to disclose whether it treated AIs for accounting purposes as being both the supplier and the customer.

176. Following the issuance of Muddy Waters' report on the last day of the Class Period, however, Sino declared publicly that Muddy Waters was "wrong" in its assertion that, for accounting purposes, Sino treated its AIs as being both supplier and customer in transactions. This claim by Sino implies either that Sino misrepresented its accounting treatment of AIs in its

2006 AIF (and in its AIFs for prior years), or that Sino changed its accounting treatment of its AIs after the issuance of its 2006 AIF. If the latter is true, then Sino was obliged by GAAP to disclose its change in its accounting treatment of its AIs. It failed to do so.

**F. *Misrepresentations relating to Sino's Cash Flow Statements***

177. Given the nature of Sino's operations, that of a frequent trader of standing timber, Sino improperly accounted for its purchases of timber assets as "Investments" in its Consolidated Statements Of Cash Flow. In fact, such purchases are "Inventory" within the meaning of GAAP, given the nature of Sino's business.

178. Additionally, Sino violated the GAAP 'matching' principle in treating timber asset purchases as "Investments" and the sale of timber assets as "Inventory"; cash flow that came into the company was treated as cash flow from operations, but cash flow that was spent by Sino was treated as cash flow for investments. As a result, "Additions to timber holding" was improperly treated as a "Cash Flows Used In Investing Activities" instead of "Cash Flows From Operating Activities" and the item "Depletion of timber holdings included in cost of sales" should not be included in "Cash Flows From Operating Activities," because it is not a cash item.

179. The effect of these misstatements is that Sino's Cash Flows From Operating Activities were materially overstated throughout the Class Period, which created the impression that Sino was a far more successful cash generator than it was. Such mismatching and misclassification is a violation of GAAP.

180. Cash Flows From Operating Activities are one of the crucial metrics used by the financial analysts who followed Sino's performance. These misstatements were designed to, and did, have the effect of causing such analysts to materially overstate the value of Sino. This material

overstatement was incorporated into various research reports made available to the Class Members, the market and the public at large.

181. Matching is a foundational requirement of GAAP reporting. E&Y and BDO were aware, at all material times, that Sino was required to adhere to the matching principle. If E&Y and BDO had conducted GAAS-complaint audits, they would have been aware that Sino's reporting was not GAAP compliant with regard to the matching principle. Accordingly, if they had conducted GAAS-compliant audits, the statements by E&Y and BDO that Sino's reporting was GAAP-compliant were not only false, but were made, at a minimum, recklessly.

182. Further, at all material times, E&Y and BDO were aware that misstatements in Cash Flows From Operating Activities would materially impact the market's valuation of Sino.

183. Accordingly, in every Impugned Document that is a financial statement, the Consolidated Statements Of Cash Flow are a misrepresentation and, particularly, the Cash Flows From Operating Activities item and associated figures is materially overstated, the "additions to timber holdings" item and figures is required to be listed as Cash Flows From Operating Activities, and the "depletion of timber holdings included in cost of sales" item and figures should not have been included.

G. *Misrepresentations relating to Certain Risks to which Sino was exposed*

(i) *Sino is conducting "business activities" in China*

184. At material times, PRC law required foreign entities engaging in "business activities" in the PRC to register to obtain and maintain a license. Violation of this requirement could have resulted in both administrative sanctions and criminal punishment, including banning the unlicensed business activities, confiscating illegal income and properties used exclusively therefor, and/or an administrative fines of no more than RMB 500,000. Possible criminal punishment included a criminal fine from 1 to 5 times the amount of the profits gained.

185. Consequently, were Sino's BVI subsidiaries to have been engaged in unlicensed in "business activities" in the PRC during the Class Period, they would have been exposed to risks that were highly material to Sino.

186. Under PRC law, the term "business activities" generally encompasses any for-profit activities, and Sino's BVI subsidiaries were in fact engaged in unlicensed "business activities" in the PRC during the Class Period. However, Sino did not disclose this fact in any of the Impugned Documents, including in its AIFs for 2008-2010, which purported to make full disclosure of the material risks to which Sino was then exposed.

(ii) *Sino fails to disclose that no proceeds were paid to it by its AIs*

187. In the Second Report, Sino belatedly revealed that:

In practice, proceeds from the Entrusted Sale Agreements are not paid to SF but are held by the AIs as instructed by SF and subsequently used to pay for further purchases of standing timber by the same or other BVIs. The AIs will continue to hold these proceeds until the Company instructs the AIs to use these proceeds to pay for new BVI standing timber purchases. *No proceeds are directly paid to the Company, either onshore or offshore.*

[Emphasis added]

188. This material fact was never disclosed in any of the Impugned Documents during the Class Period. On the contrary, Sino made the following statements during the Class Period in relation to the proceeds paid to it by its AIs, each of which was materially misleading and therefore a misrepresentation:

- (a) In the 2005 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other PRC liabilities” [emphasis added];
- (b) In the 2006 Annual MD&A, the subsection “Provision for Tax Related Liabilities” in the section “Critical Accounting Estimates,” and associated text;
- (c) In the 2006 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of wood chips and standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (d) In the 2007 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi;”
- (e) In the 2008 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added];
- (f) In the 2009 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added]; and

- (g) In the 2010 financial statements, Sino stated: “As a result, *the majority* of the accounts receivable arising from sales of standing timber are realized through instructing the debtors to settle the amounts payable on standing timber and other liabilities denominated in Renminbi” [emphasis added].

**H. *Misrepresentations relating to Sino’s GAAP Compliance and the Auditors’ GAAS Compliance***

*(i) Sino, Chan and Horsley misrepresent that Sino complied with GAAP*

189. In each of its Class Period financial statements, Sino represented that its financial reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

190. In particular, Sino misrepresented in those financial statements that it was GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007, at Note 1: “These consolidated financial statements Sino-Forest Corporation (the “Company”) have been prepared in United States dollars in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008, at Note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”;



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- (d) In the annual financial statements filed on March 16, 2010, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011, at note 1: “The consolidated financial statements of Sino-Forest Corporation (the “Company”) have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles”.

191. In each of its Class Period MD&As, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

192. In particular, Sino misrepresented in those MD&As that it was GAAP-compliant as follows:

- (a) In the annual MD&A filed on March 19, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)”;
- (b) In the quarterly MD&A filed on May 14, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (c) In the quarterly MD&A filed on August 13, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;
- (d) In the quarterly MD&A filed on November 12, 2007: “Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (“GAAP”)”;

- (e) In the annual MD&A filed on March 18, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (f) In the amended annual MD&A filed on March 28, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (g) In the quarterly MD&A filed on May 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (h) In the quarterly MD&A filed on August 12, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (i) In the quarterly MD&A filed on November 13, 2008: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles ("GAAP")";
- (j) In the annual MD&A filed on March 16, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (k) In the amended annual MD&A filed on March 17, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (l) In the quarterly MD&A filed on May 11, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";
- (m) In the quarterly MD&A filed on August 10, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian generally accepted accounting principles (GAAP)";

- (n) In the quarterly MD&A filed on November 12, 2009: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");"
- (o) In the annual MD&A files on March 16, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");"
- (p) In the quarterly MD&A filed on May 12, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");"
- (q) In the quarterly MD&A filed on August 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP");"
- (r) In the quarterly MD&A filed on November 10, 2010: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP"); and"
- (s) In the annual MD&A filed on March 15, 2011: "Except where otherwise indicated, all financial information reflected herein is determined on the basis of Canadian Generally Accepted Accounting Principles ("GAAP")."

193. In the Offerings, Sino represented that its reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

194. In particular, Sino misrepresented in the Offerings that it was GAAP-compliant as follows:

- (a) In the July 2008 Offering Memorandum: "We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada ("Canadian GAAP")[...]," "Our auditors conduct their audit of our

financial statements in accordance with auditing standards generally accepted in Canada” and “Each of the foregoing reports or financial statements will be prepared in accordance with Canadian generally accepted accounting principles other than for reports prepared for financial periods commencing on or after January 1, 2011 [...]”;

- (b) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2006, 2007 and 2008 and our unaudited interim consolidated financial statements for the three-month periods ended March 31, 2008 and 2009 have been prepared in accordance with Canadian GAAP”;
- (c) In the June 2009 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada” and “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP”; and
- (d) In the October 2010 Offering Memorandum: “We prepare our financial statements on a consolidated basis in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”)[...],” “Our auditors conduct their audit of our financial statements in accordance with auditing standards generally accepted in Canada,” “The audited and unaudited consolidated financial statements were prepared in accordance with Canadian GAAP,” “Our audited and consolidated financial statements for the years ended December 31, 2007, 2008 and 2009 and our unaudited interim consolidated financial statements for the six-

month periods ended June 30, 2009 and 2010 have been prepared in accordance with Canadian GAAP.”

195. In the Class Period Management’s Reports, Chan and Horsley represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein.

196. In particular, Chan and Horsley misrepresented in those Management’s Reports that Sino’s financial statements were GAAP-compliant as follows:

- (a) In the annual statements filed on March 19, 2007 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (b) In the annual financial statements filed on March 18, 2008 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (c) In the annual financial statements filed on March 16, 2009 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”;
- (d) In the annual financial statements filed on March 16, 2010 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report have been prepared by management in accordance with Canadian generally accepted accounting principles”; and
- (e) In the annual financial statements filed on March 15, 2011 Chan and Horsley stated: “The consolidated financial statements contained in this Annual Report

have been prepared by management in accordance with Canadian generally accepted accounting principles.”

(ii) *E&Y and BDO misrepresent that Sino complied with GAAP and that they complied with GAAS*

197. In each of Sino’s Class Period annual financial statements, E&Y or BDO, as the case may be, represented that Sino’s reporting was GAAP-compliant, which was a misrepresentation for the reasons set out elsewhere herein. In addition, in each such annual financial statement, E&Y and BDO, as the case may be, represented that they had conducted their audit in compliance with GAAS, which was a misrepresentation because they did not in fact conduct their audits in accordance with GAAS.

198. In particular, E&Y and BDO misrepresented that Sino’s financial statements were GAAP-compliant and that they had conducted their audits in compliance with GAAS as follows:

- (a) In Sino’s annual financial statements filed on March 19, 2007, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (b) In the June 2007 Prospectus, BDO stated: “We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents”;
- (c) In Sino’s annual financial statements filed on March 18, 2008, E&Y stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at

December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. The financial statements as at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2007”;

- (d) In the July 2008 Offering Memorandum, BDO stated: “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles” and E&Y stated “We conducted our audit in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles”;
- (e) In Sino’s annual financial statements filed on March 16, 2009, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles”;
- (f) In Sino’s annual financial statements filed on March 16, 2010, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards” and “In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows

for the years then ended in accordance with Canadian generally accepted accounting principles”; and

- (g) In Sino’s annual financial statements filed on March 15, 2011, E&Y stated: “We conducted our audits in accordance with Canadian generally accepted auditing standards.” and “In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sino-Forest corporation as at December 31, 2010 and 2009 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.”

*(iii) The Market Relied on Sino’s Purported GAAP-compliance and E&Y’s and BDO’s purported GAAS-compliance in Sino’s Financial Reporting*

199. As a public company, Sino communicated the results it claimed to have achieved to the Class Members via quarterly and annual financial results, among other disclosure documents. Sino’s auditors, E&Y and BDO, as the case may be, were instrumental in the communication of Sino’s financial information to the Class Members. The auditors certified that the financial statements were compliant with GAAP and that they had performed their audits in compliance with GAAS. Neither was true.

200. The Class Members invested in Sino’s securities on the critical premise that Sino’s financial statements were in fact GAAP-compliant, and that Sino’s auditors had in fact conducted their audits in compliance with GAAS. Sino’s reported financial results were also followed by analysts at numerous financial institutions. These analysts promptly reported to the market at large when Sino made earnings announcements, and incorporated into their Sino-related analyses and reports Sino’s purportedly GAAP-compliant financial results. These analyses and reports, in turn, significantly affected the market price for Sino’s securities.



201. The market, including the Class Members, would not have relied on Sino's financial reporting had the auditors disclosed that Sino's financial statements were not reliable or that they had not followed the processes that would have amply revealed that those statements were reliable.

#### VII. CHAN'S AND HORSLEY'S FALSE CERTIFICATIONS

202. Pursuant to National Instrument 52-109, the defendants Chan, as CEO, and Horsley, as CFO, were required at the material times to certify Sino's annual and quarterly MD&As and Financial Statements as well as the AIFs (and all documents incorporated into the AIFs). Such certifications included statements that the filings "do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made" and that the reports "fairly present in all material respects the financial condition, results of operations and cash flows of the issuer."

203. As particularized elsewhere herein, however, the Impugned Documents contained the Representation, which was false, as well as the other misrepresentations alleged above. Accordingly, the certifications given by Chan and Horsley were false and were themselves misrepresentations. Chan and Horsley made such false certifications knowingly or, at a minimum, recklessly.

#### VIII. THE TRUTH IS REVEALED

204. On June 2, 2011, Muddy Waters issued its initial report on Sino, and stated in part therein:

Sino-Forest Corp (TSE: TRE) is the granddaddy of China RTO frauds. It has always been a fraud – reporting excellent results from one of its early joint ventures – even though, because of TRE's default on its investment obligations, the JV never went into operation. TRE just lied.

The foundation of TRE's fraud is a convoluted structure whereby it claims to run most of its revenues through "authorized intermediaries" ("AI"). AIs are supposedly timber trader customers who purportedly pay much of TRE's value added and income taxes. At the same time, these AIs allow TRE a gross margin of 55% on standing timber merely for TRE having speculated on trees.

The sole purpose of this structure is to fabricate sales transactions while having an excuse for not having the VAT invoices that are the mainstay of China audit work. If TRE really were processing over one billion dollars in sales through AIs, TRE and the AIs would be in serious legal trouble. No legitimate public company would take such risks – particularly because this structure has zero upside.

[...]

On the other side of the books, TRE massively exaggerates its assets. TRE significantly falsifies its investments in plantation fiber (trees). It purports to have purchased \$2.891 billion in standing timber under master agreements since 2006 [...]

[...]

#### Valuation

Because TRE has \$2.1 billion in debt outstanding, which we believe exceeds the potential recovery, we value its equity at less than \$1.00 per share.

205. Muddy Waters' report also disclosed that (a) Sino's business is a fraudulent scheme; (b) Sino systemically overstated the value of its assets; (c) Sino failed to disclose various related party transactions; (d) Sino misstated that it had enforced high standards of governance; (e) Sino misstated that its reliance on the AIs had decreased; (f) Sino misrepresented the tax risk associated with the use of AIs; and (g) Sino failed to disclose the risks relating to repatriation of earnings from PRC.

206. After Muddy Waters' initial report became public, Sino shares fell to \$14.46, at which point trading was halted (a decline of 20.6% from the pre-disclosure close of \$18.21). When

trading was allowed to resume the next day, Sino's shares fell to a close of \$5.23 (a decline of 71.3% from June 1).

207. On November 13, 2011 Sino released the Second Report in redacted form. Therein, the Committee summarized its findings:

#### B. Overview of Principal Findings

The following sets out a very high level overview of the IC's principal findings and should be read in conjunction with the balance of this report.

##### Timber Ownership

[...]

*The Company does not obtain registered title to BVI purchased plantations. In the case of the BVIs' plantations, the IC has visited forestry bureaus, Suppliers and AIs to seek independent evidence to establish a chain of title or payment transactions to verify such acquisitions. The purchase contracts, set-off arrangement documentation and forestry bureau confirmations constitute the documentary evidence as to the Company's contractual or other rights. The IC has been advised that the Company's rights to such plantations could be open to challenge. However, Management has advised that, to date, it is unaware of any such challenges that have not been resolved with the Suppliers in a manner satisfactory to the Company.*

##### Forestry Bureau Confirmations and Plantation Rights Certificates

Registered title, through Plantation Rights Certificates is not available in the jurisdictions (i.e. cities and counties) examined by the IC Advisors for standing timber that is held without land use/lease rights. *Therefore the Company was not able to obtain Plantation Rights Certificates for its BVIs standing timber assets in those areas.* In these circumstances, the Company sought confirmations from the relevant local forestry bureau acknowledging its rights to the standing timber.

The IC Advisors reviewed forestry bureau confirmations for virtually all BVIs assets and non-Mandra WFOE purchased plantations held as at December 31, 2010. The IC Advisors, in meetings organized by Management, met with a sample of forestry bureaus with a view to obtaining verification of the Company's rights to standing timber in those jurisdictions. The result of such meetings to date have concluded with the forestry bureaus or related entities having issued new confirmations as to the Company's contractual rights to the Company in respect of 111,177 Ha. as of December 31, 2010 and 133,040 Ha. as of March 31, 2011, and have acknowledged the issuance of existing confirmations issued to the

Company as to certain rights, among other things, in respect of 113,058 Ha. as of December 31, 2010.

*Forestry bureau confirmations are not officially recognized documents and are not issued pursuant to a legislative mandate or, to the knowledge of the IC, a published policy. It appears they were issued at the request of the Company or its Suppliers.* The confirmations are not title documents, in the Western sense of that term, although the IC believes they should be viewed as comfort indicating the relevant forestry bureau does not dispute SF's claims to the standing timber to which they relate and might provide comfort in case of disputes. The purchase contracts are the primary evidence of the Company's interest in timber assets.

*In the meetings with forestry bureaus, the IC Advisors did not obtain significant insight into the internal authorization or diligence processes undertaken by the forestry bureaus in issuing confirmations and, as reflected elsewhere in this report, the IC did not have visibility into or complete comfort regarding the methods by which those confirmations were obtained.* It should be noted that several Suppliers observed that SF was more demanding than other buyers in requiring forestry bureau confirmations.

#### Book Value of Timber

Based on its review to date, the IC is satisfied that the book value of the BVIs timber assets of \$2.476 billion reflected on its 2010 Financial Statements and of SP WFOE standing timber assets of \$298.6 million reflected in its 2010 Financial Statements reflects the purchase prices for such assets as set out in the BVIs and WFOE standing timber purchase contracts reviewed by the IC Advisors. Further, the purchase prices for such BVIs timber assets have been reconciled to the Company's financial statements based on set-off documentation relating to such contracts that were reviewed by the IC. However, *these comments are also subject to the conclusions set out above under "Timber Ownership" on title and other rights to plantation assets.*

The IC Advisors reviewed documentation acknowledging the execution of the set-off arrangements between Suppliers, the Company and AIs for the 2006-2010 period. *However, the IC Advisors were unable to review any documentation of AIs or Suppliers which independently verified movements of cash in connection with such set-off arrangements between Suppliers, the Company and the AIs used to settle purchase prices paid to Suppliers by AIs on behalf of SF.* We note also that the independent valuation referred to in Part VIII below has not yet been completed.

#### Revenue Reconciliation

As reported in its First Interim Report, the IC has reconciled reported 2010 total revenue to the sales prices in BVIs timber sales contracts, together with macro customer level data from other businesses. However, *the IC was unable to review any documentation of AIs or Suppliers which independently verified movements*

*of cash in connection with set-off arrangements used to settle purchase prices paid, or sale proceeds received by, or on behalf of SF.*

#### Relationships

- **Yuda Wood:** The IC is satisfied that Mr. Huang Ran is not currently an employee of the Company and that Yuda Wood is not a subsidiary of the Company. However, *there is evidence suggesting close cooperation (including administrative assistance, possible payment of capital at the time of establishment, joint control of certain of Yuda Wood's RMB bank accounts and the numerous emails indicating coordination of funding and other business activities).* Management has explained these arrangements were mechanisms that allowed the Company to monitor its interest in the timber transactions. Further, *Huang Ran (a Yuda Wood employee) has an ownership and/or directorship in a number of Suppliers* (See Section VI.B). The IC Advisors have been introduced to persons identified as influential backers of Yuda Wood but were unable to determine the relationships, if any, of such persons with Yuda Wood, the Company or other Suppliers or AIs. *Management explanations of a number of Yuda Wood-related emails and answers to E&Y's questions are being reviewed by the IC and may not be capable of independent verification.*
- **Other:** The IC's review has identified other situations which require further review. *These situations suggest that the Company may have close relationships with certain Suppliers, and certain Suppliers and AIs may have cross-ownership and other relationships with each other.* The IC notes that in the interviews conducted by the IC with selected AIs and Suppliers, all such parties represented that they were independent of SF. Management has very recently provided information and analysis intended to explain these situations. The IC is reviewing this material from Management and intends to report its findings in this regard in its final report to the Board. Some of such information and explanations may not be capable of independent verification.
- **Accounting Considerations:** *To the extent that any of SF's purchase and sale transactions are with related parties for accounting purposes, the value of these transactions as recorded on the books and records of the Company may be impacted.*

[...]

#### BVI Structure

The BVI structure used by SF to purchase and sell standing timber assets could be challenged by the relevant Chinese authorities as the undertaking of "business activities" within China by foreign companies, which may only be undertaken by entities established within China with the requisite approvals. However, there is no clear definition of what constitutes "business activities" under Chinese law and there are different views among the IC's Chinese counsel and the Company's Chinese counsel as to whether the purchase and sale of timber in China as

undertaken by the BVIs could be considered to constitute “business activities” within China. In the event that the relevant Chinese authorities consider the BVIs to be undertaking “business activities” within China, they may be required to cease such activities and could be subject to other regulatory action. As regularization of foreign businesses in China is an ongoing process, the government has in the past tended to allow foreign companies time to restructure their operations in accordance with regulatory requirements (the cost of which is uncertain), rather than enforcing the laws strictly and imposing penalties without notice. See Section II.B.2

### C. Challenges

Throughout its process, the IC has encountered numerous challenges in its attempts to implement a robust independent process which would yield reliable results. Among those challenges are the following:

#### (a) Chinese Legal Regime for Forestry:

- national laws and policies appear not yet to be implemented at all local levels;
- in practice, none of the local jurisdictions tested in which BVIs hold standing timber appears to have instituted a government registry and documentation system for the ownership of standing timber as distinct from a government registry system for the ownership of plantation land use rights;
- the registration of plantation land use rights, the issue of Plantation Rights Certificates and the establishment of registries, is incomplete in some jurisdictions based on the information available to the IC;
- as a result, *title to standing timber, when not held in conjunction with a land use right, cannot be definitively proven by reference to a government maintained register;* and
- Sino-Forest has requested confirmations from forestry bureaus of its acquisition of timber holdings (excluding land leases) as additional evidence of ownership. Certain forestry bureaus and Suppliers have indicated the confirmation was beyond the typical diligence practice in China for acquisition of timber holdings.

(b) Obtaining Information from Third Parties: For a variety of reasons, all of them outside the control of the IC, it is very difficult to obtain information from third parties in China. These reasons include the following:

- *many of the third parties from whom the IC wanted information (e.g., AIs, Suppliers and forestry bureaus) are not compellable by the Company or Canadian legal processes;*
- third parties appeared to have concerns relating to disclosure of information regarding their operations that could become public or fall into the hands of

Chinese government authorities; *many third parties explained their reluctance to provide requested documentation and information as being "for tax reasons" but declined to elaborate;* and

- awareness of MW allegations, investigations and information gathering by the OSC and other parties, and court proceedings; while not often explicitly articulated, third parties had an awareness of the controversy surrounding SF and a reluctance to be associated with any of these allegations or drawn into any of these processes.

[...]

(e) Corporate Governance/Operational Weaknesses: *Management has asserted that business in China is based upon relationships.* The IC and the IC Advisors have observed this through their efforts to obtain meetings with forestry bureaus, Suppliers and AIs and their other experience in China. The importance of relationships appears to have resulted in dependence on a relatively small group of Management who are integral to maintaining customer relationships, negotiating and finalizing the purchase and sale of plantation fibre contracts and the settlement of accounts receivable and accounts payable associated with plantation fibre contracts. This concentration of authority or lack of segregation of duties has been previously disclosed by the Company as a control weakness. As a result and as disclosed in the 2010 MD&A, senior Management in their ongoing evaluation of disclosure controls and procedures and internal controls over financial reporting, recognizing the disclosed weakness, determined that the design and controls were ineffective. The Chairman and Chief Financial Officer provided annual and quarterly certifications of their regulatory filings. Related to this weakness the following challenges presented themselves in the examination by the IC and the IC Advisors:

- operational and administration systems that are generally not sophisticated having regard to the size and complexity of the Company's business and in relation to North American practices; including:

- *incomplete or inadequate record creation and retention practices;*
- contracts not maintained in a central location;
- significant volumes of data maintained across multiple locations on decentralized servers;
- *data on some servers in China appearing to have been deleted on an irregular basis, and there is no back-up system;*
- no integrated accounting system: accounting data is not maintained on a single, consolidated application, which can require extensive manual procedures to produce reports; and

- a treasury function that was centralized for certain major financial accounts, but was not actively involved in the control or management of numerous local operations bank accounts;
- *no internal audit function* although there is evidence the Company has undertaken and continues to assess its disclosure controls and procedures and internal controls over financial reporting using senior Management and independent control consultants;
- *SF employees conduct Company affairs from time to time using personal devices and non-corporate email addresses* which have been observed to be shared across groups of staff and changed on a periodic and organized basis; this complicated and delayed the examination of email data by the IC Advisors; and
- lack of full cooperation/openness in the ICs examination from certain members of Management.

(f) Complexity, Lack of Visibility into, and Limitations of BVIs Model: *The use of AIs and Suppliers as an essential feature of the BVIs standing timber business model contributes to the lack of visibility into title documentation, cash movements and tax liability since cash settlement in respect of the BVIs standing timber transactions takes place outside of the Company's books.*

(g) Cooperation and openness of the Company's executives throughout the process: From the outset, the IC Advisors sought the full cooperation and support of Allen Chan and the executive management team. Initially, the executive management team appeared ill-prepared to address the IC's concerns in an organized fashion and there was perhaps a degree of culture shock as Management adjusted to the IC Advisors' examination. *In any event, significant amounts of material information, particularly with respect to the relationship with Yuda Wood, interrelationships between AIs and/or Suppliers, were not provided to the IC Advisors as requested.* In late August 2011 on the instructions of the IC, interviews of Management were conducted by the IC Advisors in which documents evidencing these connections were put to the Management for explanation. As a result of these interviews (which were also attended by BJ) the Company placed certain members of Management on administrative leave upon the advice of Company counsel. At the same time the OSC made allegations in the CTO of Management misconduct.

[...]

(h) Independence of the IC Process: *The cooperation and collaboration of the IC with Management (operating under the direction of the new Chief Executive Officer) and with Company counsel in completing certain aspects of the IC's mandate has been noted by the OSC and by E&Y. Both have questioned the degree of independence of the IC from Management as a result of this interaction.* The IC has explained the practical impediments to its work in the context of the distinct business culture (and associated issues of privacy) in the



forestry sector in China in which the Company operates. Cooperation of third parties in Hong Kong and China, including employees, depends heavily on relationships and trust. As noted above, the Company's placing certain members of Management on administrative leave, as well as the OSC's allegations in the CTO, further hampered the IC's ability to conduct its process. As a result, the work of the IC was frequently done with the assistance of, or in reliance on, the new Chief Executive Officer and his Management team and Company counsel. Given that Mr. Martin was, in effect, selected by the IC and BJ was appointed in late June 2011, the IC concluded that, while not ideal, this was a practical and appropriate way to proceed in the circumstances. As evidenced by the increased number of scheduled meetings with forestry bureaus, Suppliers and AIs, and, very recently, the delivery to the IC of information regarding AIs and Suppliers and relationships among the Company and such parties, it is acknowledged that Mr. Martin's involvement in the process has been beneficial. It is also acknowledged that in executing his role and assisting the IC he has had to rely on certain of the members of Management who had been placed on administrative leave.

[Emphasis added]

208. On January 31, 2012, Sino released the Final Report. In material part, it read:

This Final Report of the IC sets out the activities undertaken by the IC since mid-November, the findings from such activities and the IC's conclusions regarding its examination and review. The IC's activities during this period have been limited as a result of Canadian and Chinese holidays (Christmas, New Year and Chinese New Year) and the extensive involvement of IC members in the Company's Restructuring and Audit Committees, both of which are advised by different advisors than those retained by the IC. *The IC believes that, notwithstanding there remain issues which have not been fully answered, the work of the IC is now at the point of diminishing returns because much of the information which it is seeking lies with non-compellable third parties, may not exist or is apparently not retrievable from the records of the Company.*

In December 2011, the Company defaulted under the indentures relating to its outstanding bonds with the result that its resources are now more focused on dealing with its bondholders. This process is being overseen by the Restructuring Committee appointed by the Board. Pursuant to the Waiver Agreement dated January 18, 2012 between the Company and the holders of a majority of the principal amount of its 2014 Notes, the Company agreed, among other things, that the final report of the IC to the Board would be made public by January 31, 2012.

Given the circumstances described above, the IC understands that, with the delivery of this Final Report, its review and examination activities are terminated. The IC does not expect to undertake further work other than assisting with responses to regulators and the RCMP as required and engaging in such further specific activities as the IC may deem advisable or the Board may instruct. The

IC has asked the IC Advisors to remain available to assist and advise the IC upon its instructions.

[...]

## II. RELATIONSHIPS

The objectives of the IC's examination of the Company's relationships with its AIs and Suppliers were to determine, in light of the MW allegations, if such relationships are arm's length and to obtain, if possible, independent verification of the cash flows underlying the set-off transactions described in Section II.A of the Second Interim Report. *That the Company's relationships with its AIs and Suppliers be arm's length is relevant to SF's ability under GAAP to:*

- *book its timber assets at cost in its 2011 and prior years' financial statements, both audited and unaudited*
- *recognize revenue from standing timber sales as currently reflected in its 2011 and prior years' financial statements, both audited and unaudited.*

### A. Yuda Wood

Yuda Wood was founded in April 2006 and was until 2010 a Supplier of SF. Its business with SF from 2007 to 2010 totalled approximately 152,164 Ha and RMB 4.94 billion. Section VI.A and Schedule VI.A.2(a) of the Second Interim Report described the MW allegations relating to Yuda Wood, the review conducted by the IC and its findings to date. The IC concluded that Huang Ran is not currently an employee, and that Yuda Wood is not a subsidiary, of the Company. *However, there is evidence suggesting a close cooperation between SF and Yuda Wood which the IC had asked Management to explain.* At the time the Second Interim Report was issued, the IC was continuing to review Management's explanations of a number of Yuda Wood-related emails and certain questions arising therefrom.

Subsequent to the issuance of its Second Interim Report in mid-November, the IC, with the assistance of the IC Advisors, has reviewed the Management responses provided to date relating to Yuda Wood and has sought further explanations and documentary support for such explanations. This was supplementary to the activities of the Audit Committee of SF and its advisors who have had during this period primary carriage of examining Management's responses on the interactions of SF and Yuda Wood. *While many answers and explanations have been obtained, the IC believes that they are not yet sufficient to allow it to fully understand the nature and scope of the relationship between SF and Yuda Wood. Accordingly, based on the information it has obtained, the IC is still unable to independently verify that the relationship of Yuda Wood is at arm's length to SF.* It is to be noted that Management is of the view that Yuda Wood is unrelated to SF for accounting purposes. The IC remains satisfied that Yuda is not a subsidiary of SF. Management continues to undertake work related to Yuda

Wood, including seeking documentation from third parties and responding to e-mails where the responses are not yet complete or prepared. Management has provided certain banking records to the Audit Committee that the Audit Committee advises support Management's position that SF did not capitalize Yuda Wood (but that review is not yet completed). The IC anticipates that Management will continue to work with the Audit Committee, Company counsel and E&Y on these issues.

## B. Other Relationships

Section VI.B.1 of the Second Interim Report described certain other relationships which had been identified in the course of the IC's preparation for certain interviews with AIs and Suppliers. *These relationships include (i) thirteen Suppliers where former SF employees, consultants or secondees are or have been directors, officers and/or shareholders (including Yuda Wood); (ii) an AI with a former SF employee in a senior position; (iii) potential relationships between AIs and Suppliers; (iv) set-off payments for BVI standing timber purchases being made by companies that are not AIs and other setoff arrangements involving non-AI entities; (v) payments by AIs to potentially connected Suppliers; and (vi) sale of standing timber to an AI potentially connected to a Supplier of that timber. Unless expressly addressed herein, the IC has no further update of a material nature on the items raised above.*

On the instructions of the IC, the IC Advisors gave the details of these possible relationships to Management for further follow up and explanation. Just prior to the Second Interim Report, Management provided information regarding AIs and Suppliers relationships among the Company and such parties.

This information was in the form of a report dated November 10, 2011, subsequently updated on November 21, 2011 and January 20, 2012 (the latest version being the "Kaitong Report") prepared by Kaitong Law Firm ("Kaitong"), a Chinese law firm which advises the Company. The Kaitong Report has been separately delivered to the Board. *Kaitong has advised that much of the information in the Kaitong Report was provided by Management and has not been independently verified by such law firm or the IC.*

[...]

The Kaitong Report generally describes certain relationships amongst AIs and Suppliers and certain relationships between their personnel and Sino-Forest, either identified by Management or through SAIC and other searches. The Kaitong Report also specifically addresses certain relationships identified in the Second Interim Report. The four main areas of information in the Kaitong Report are as follows and are discussed in more detail below:

(i) Backers to Suppliers and AIs: The Kaitong Report explains the concept of "backers" to both Suppliers and AIs. The Kaitong Report suggests that backers are individuals with considerable influence in political, social or business circles,

or all three. The Kaitong Report also states that such backers or their identified main business entities do not generally appear in SAIC filings by the Suppliers or AIs as shareholders thereof and, in most instances, in any other capacity.

(ii) *Suppliers and AIs with Former SF Personnel: The appendices to the Kaitong Report list certain Suppliers that have former SF personnel as current shareholders.*

(iii) *Common Shareholders Between Suppliers and AIs: The Kaitong Report states that there are 5 Suppliers and 3 AIs with current common shareholders but there is no cross majority ownership positions between Suppliers and AIs.*

(iv) *Transactions Involving Suppliers and AIs that have Shareholders in common: The Kaitong Report states that, where SF has had transactions with Suppliers and AIs that have certain current shareholders in common as noted above, the subject timber in those transactions is not the same; that is, the timber which SF buys from such Suppliers and the timber which SF sells to such AIs are located in different counties or provinces.*

The IC Advisors have reviewed the Kaitong Report on behalf of the IC. The IC Advisors liaised with Kaitong and met with Kaitong and current and former Management. A description of the Kaitong Report and the IC's findings and comments are summarized below. By way of summary, the Kaitong Report provides considerable information regarding relationships among Suppliers and AIs, and between them and SF, but much of this information related to the relationship of each backer with the associated Suppliers and AIs is not supported by any documentary or other independent evidence. *As such, some of the information provided is unverified and, particularly as it relates to the nature of the relationships with the backers, is viewed by the IC to be likely unverifiable by it.*

#### 1. Backers to Suppliers and AIs

[...]

Given the general lack of information on the backers or the nature and scope of the relationships between the Suppliers or AIs and their respective backers and the absence of any documentary support or independent evidence of such relationships, the IC has been unable to reach any conclusion as to the existence, nature or importance of such relationships. *As a result, the IC is unable to assess the implications, if any, of these backers with respect to SF's relationships with its Suppliers or AIs. Based on its experience to date, including interviews with Suppliers and AIs involving persons who have now been identified as backers in the Kaitong Report, the IC believes that it would be very difficult for the IC Advisors to arrange interviews with either the AIs or Suppliers or their respective backers and, if arranged, that such interviews would yield very little, if any, verifiable information to such advisors.* The IC understands Management is continuing to seek meetings with its AIs and Suppliers with the objective of

obtaining information, to the extent such is available, that will provide further background to the relationships to the Audit Committee.

[...]

## 2. Suppliers and AIs with Former SF Personnel

The Appendices to the Kaitong Report list the Suppliers with former SF personnel as current shareholders. According to the information previously obtained by the IC Advisors, the identification of former SF personnel indicated in the Kaitong Report to be current shareholders of past or current Suppliers is correct.

### (a) Suppliers with former SF personnel

The Kaitong Report, which is limited to examining Suppliers where ex-SF employees are current shareholders as shown in SAIC filings, does not provide material new information concerning Suppliers where former SF employees were identified by the IC in the Second Interim Report as having various past or present connections to current or former Suppliers except that the Kaitong Report provides an explanation of two transactions identified in the Second Interim Report. These involved purchases of standing timber by SF from Suppliers controlled by persons who were employees of SF at the time of these transactions. Neither of the Suppliers have been related to an identified backer in the Kaitong Report. The explanations are similar indicating that neither of the SF employees was an officer in charge of plantation purchases or one of SF's senior management at the time of the transactions. The employees in question were Shareholder #14 in relation to a RMB 49 million purchase from Supplier #18 in December 2007 (shown in SAIC filings to be 100% owned by him) and Shareholder #20 in relation to a RMB 3.3 million purchase from Supplier #23 (shown in SAIC filings to be 70% owned by him) in October 2007. *The Kaitong Report indicates Shareholder #20 is a current employee of SF who then had responsibilities in SF's wood board production business.*

The IC is not aware that the employees' ownership positions were brought to the attention of the Board at the time of the transactions or, subsequently, until the publication of the Second Interim Report and understands the Audit Committee will consider such information.

### (b) AIs with former SF personnel

The Kaitong Report indicates that no SF employees are listed in SAIC filing reports as current shareholders of AIs. Except as noted herein, the IC agrees with this statement. The Kaitong Report does not address the apparent role of an ex-employee Officer #3 who was introduced to the IC as the person in charge of AI #2 by Backer #5 of AI Conglomerate #1. Backer #5 is identified in the Kaitong Report as a backer of two AIs, including AI#2. (The Kaitong Report properly does not include AI #14, as an AI for this purpose, whose 100% shareholder is former SF employee Officer #3. However, the IC is satisfied that the activities of

this entity primarily relate to certain onshoring transactions that facilitated the transfer of SF BVI timber assets to SF WFOE subsidiaries.)

There was one other instance where a past shareholding relationship has been identified between an AI #10 and persons who were previously or are still shown on the SF human resources records, Shareholder #26 and Shareholder #27. Management has explained that such entity sold wood board processing and other assets to SF and that the persons associated with that company consulted with SF after such sale in relation to the purchased wood board processing assets. *Such entity subsequently also undertook material timber purchases as an AI of SF in 2007-2008 over a time period in which such persons are shown as shareholders of such AI in the SAIC filing reviewed (as to 47.5% for Shareholder #26 and as to 52.5% for Shareholder #27). That time period also intersects the time that Shareholder #26 is shown in such human resources records and partially intersects the time that Shareholder #27 is shown on such records. Management has also explained that Shareholder #26 subsequent to the time of such AI sales became an employee of a SF wood board processing subsidiary. Management has provided certain documentary evidence of its explanations. The IC understands that the Audit Committee will consider this matter.*

### 3. Common Shareholders between Supplier and AIs

The Kaitong Report states that there are 5 Suppliers and 3 AIs that respectively have certain common current shareholders but also states that there is no cross control by those current shareholders of such Suppliers or AIs based on SAIC filings. The Kaitong Report correctly addresses current cross shareholdings in Suppliers and AIs based on SAIC filings but does not address certain other shareholdings. With the exception of one situation of cross control in the past, the IC has not identified a circumstance in the SAIC filings reviewed where the same person controlled a Supplier at the time it controlled a different AI. *The one exception is that from April 2002 to February 2006, AI #13 is shown in SAIC filings as the 90% shareholder of Supplier/AI #14. AI #13 did business with SF BVIs from 2005 through 2007 and Supplier/AI #14 supplied SF BVIs from 2004 through 2006. However, the IC to date has only identified one contract involving timber bought from Supplier/AI #14 that was subsequently sold to AI #13. It involved a parcel of 2,379 Ha. timber sold to AI #13 in December 2005 that originated from a larger timber purchase contract with Supplier/AI #14 earlier that year. Management has provided an explanation for this transaction. The IC understands that the Audit Committee will consider this matter.*

### 4. Transactions involving Suppliers and AIs with Current Shareholders in Common

The Kaitong Report states that where SF has had transactions with 5 Suppliers and 3 AIs that have current shareholders in common (but no one controlling shareholder) as shown in SAIC filings, the subject timber in the transactions they

each undertook with SF is not the same; that is, the timber which SF buys from the Suppliers and the timber which SF sells to the AIs where the Supplier and AI have a current common shareholder were located in different areas and do not involve the same plots of timber. The Kaitong Report further states that where SF has had transactions with 5 Suppliers and 3 AIs with current shareholders in common as shown in SAIC filings, SF had transactions with those AIs prior to having transactions with those Suppliers, thus SF was not overstating its transactions by buying and selling to the same counterparties.

[...]

The Kaitong Report does not specifically address historical situations involving common shareholders and potential other interconnections between AIs and Suppliers that may appear as a result of the identification of backers. There is generally no ownership connection shown in SAIC filings between backers and the Suppliers and AIs associated with such backers in the Kaitong Report.

[...]

#### VI. OUTSTANDING MATTERS

As noted in Section I above, the IC understands that with the delivery of this report, its examination and review activities are terminated. The IC would expect its next steps may include only:

- (a) assisting in responses to regulators and RCMP as required; and
- (b) such other specific activities as it may deem advisable or the Board may instruct.

[Emphasis added]

#### IX. SINO REWARDS ITS EXPERTS

209. Bowland, Hyde and West are former E&Y partners and employees. They served on Sino's Audit Committee but purported to exercise oversight of their former E&Y colleagues. In addition, Sino's Vice-President, Finance (Corporate), Thomas M. Maradin, is a former E&Y employee.

210. The charter of Sino's Audit Committee required that Ardell, Bowland, Hyde and West "review and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the Auditor." Sino's practice of appointing E&Y personnel to its board – and paying them handsomely (for example, Hyde was paid \$163,623 by Sino in 2010, \$115,962 in 2009, \$57,000 in 2008 and \$55,875 in 2007, plus options and other compensation) – undermined the Audit Committee's oversight of E&Y.

211. E&Y's independence was impaired by the significant non-audit fees it was paid during 2008-2010, which total \$712,000 in 2008, \$1,225,000 in 2009 and \$992,000 in 2010.

212. Further, Andrew Fyfe, the former Asia-Pacific President for Pöyry Forestry Industry Ltd, was appointed Chief Operating Officer of Greenheart, and is the director of several Sino subsidiaries. Fyfe signed the Pöyry valuation report dated June 30, 2004, March 22, 2005, March 23, 2006, March 14, 2008 and April 1, 2009.

213. George Ho, Sino's Vice President, Finance (China), is a former Senior Manager of the BDO.

#### **X. THE DEFENDANTS' RELATIONSHIP TO THE CLASS**

214. By virtue of their purported accounting, financial and/or managerial acumen and qualifications, and by virtue of their having assumed, voluntarily and for profit, the role of gatekeepers, the Defendants had a duty at common law, informed by the Securities Legislation and/or the *CBCA*, to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

215. Sino is a reporting issuer and had an obligation to make timely, full, true and accurate disclosure of material facts and changes with respect to its business and affairs.



216. The Individual Defendants, by virtue of their positions as senior officers and/or directors of Sino, owed a duty to the Class Members to ensure that public statements on behalf of Sino were not untrue, inaccurate or misleading. The continuous disclosure requirements in Canadian securities law mandated that Sino provide the Impugned Documents, including quarterly and annual financial statements. These documents were meant to be read by Class Members who acquired Sino's Securities in the secondary market and to be relied on by them in making investment decisions. This public disclosure was prepared to attract investment, and Sino and the Individual Defendants intended that Class Members would rely on public disclosure for that purpose. With respect to Prospectuses and Offering Memoranda, these documents were prepared for primary market purchasers. They include detailed content as mandated under Canadian securities legislation, national instruments and OSC rules. They were meant to be read by the Class Members who acquired Sino's Securities in the primary market, and to be relied on by them in making decisions about whether to purchase the shares or notes under the Offerings to which these Prospectuses and Offering Memoranda related.

217. Chan and Horsley had statutory obligations under Canadian securities law to ensure the accuracy of disclosure documents and provided certifications in respect of the annual reports, financial statements and Prospectuses during the Class Period. The other Individual Defendants were directors of Sino during the Class Period and each had a statutory obligation as a director under the *CBCA* to manage or supervise the management of the business and affairs of Sino. These Individual Defendants also owed a statutory duty of care to shareholders under section 122 of the *CBCA*. In addition, Poon, along with Chan, co-founded Sino and has been its president since 1994. He is intimately aware of Sino's operations and as a long-standing senior officer, he

had an obligation to ensure proper disclosure. Poon authorized, permitted or acquiesced in the release of the Impugned Documents.

218. BDO and E&Y acted as Sino's auditors and provided audit reports in Sino's annual financial statements that were directed to shareholders. These audit reports specified that BDO and E&Y had conducted an audit in accordance with GAAS, which was untrue, and included their opinions that the financial statements presented fairly, in all material respects, the financial position of Sino, the results of operations and Sino's cash flows, in accordance with GAAP. BDO and E&Y knew and intended that Class Members would rely on the audit reports and assurances about the material accuracy of the financial statements.

219. Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD each signed one or more of the Prospectuses and certified that, to the best of its knowledge, information and belief, the particular prospectus, together with the documents incorporated therein by reference, constituted full, true and plain disclosure of all material facts relating to the securities offered thereby. These defendants knew that the Class Members who acquired Sino's Securities in the primary market would rely on these assurances and the trustworthiness that would be credited to the Prospectuses because of their involvement. Further, those Class Members that purchased shares under these Prospectuses purchased their shares from these defendants as principals.

220. Credit Suisse USA, TD and Banc of America acted as initial purchasers or dealer managers for one or more of the note Offerings. These defendants knew that persons purchasing these notes would rely on the trustworthiness that would be credited to the Offering Memoranda because of their involvement.

## XI. THE PLAINTIFFS' CAUSES OF ACTION

### A. *Negligent Misrepresentation*

221. As against all Defendants except Pöyry and the Underwriters, and on behalf of all Class Members who acquired Sino's Securities in the secondary market, the Plaintiffs plead negligent misrepresentation for all of the Impugned Documents except the Offering Memoranda.

222. Labourers and Wong, on behalf of Class Members who purchased Sino Securities in one of the distributions to which a Prospectus related, plead negligent misrepresentation as against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD for the Prospectuses.

223. Grant, on behalf of Class Members who purchased Sino Securities in one of the distributions to which an Offering Memorandum related, pleads negligent misrepresentation as against Sino, BDO and E&Y for the Offering Memoranda.

224. In support of these claims, the sole misrepresentation that the Plaintiffs plead is the Representation. The Representation is contained in the language relating to GAAP particularized above, and was untrue for the reasons particularized elsewhere herein.

225. The Impugned Documents were prepared for the purpose of attracting investment and inducing members of the investing public to purchase Sino securities. The Defendants knew and intended at all material times that those documents had been prepared for that purpose, and that the Class Members would rely reasonably and to their detriment upon such documents in making the decision to purchase Sino securities.

226. The Defendants further knew and intended that the information contained in the Impugned Documents would be incorporated into the price of Sino's publicly traded securities

such that the trading price of those securities would at all times reflect the information contained in the Impugned Documents.

227. As set out elsewhere herein, the Defendants, other than Pöyry, Credit Suisse USA and Banc of America, had a duty at common law to exercise care and diligence to ensure that the Impugned Documents fairly and accurately disclosed Sino's financial condition and performance in accordance with GAAP.

228. These Defendants breached that duty by making the Representation as particularized above.

229. The Plaintiffs and the other Class Members directly or indirectly relied upon the Representation in making a decision to purchase the securities of Sino, and suffered damages when the falsity of the Representation was revealed on June 2, 2011.

230. Alternatively, the Plaintiffs and the other Class Members relied upon the Representation by the act of purchasing Sino securities in an efficient market that promptly incorporated into the price of those securities all publicly available material information regarding the securities of Sino. As a result, the repeated publication of the Representation in these Impugned Documents caused the price of Sino's shares to trade at inflated prices during the Class Period, thus directly resulting in damage to the Plaintiffs and Class Members.

**B. *Statutory Claims, Negligence, Oppression, Unjust Enrichment and Conspiracy***

*(i) Statutory Liability—Secondary Market under the Securities Legislation*

231. The Plaintiffs plead the claim found in Part XXIII.1 of the *OSA*, and, if required, the equivalent sections of the Securities Legislation other than the *OSA*, against all Defendants except the Underwriters.

232. Each of the Impugned Documents except for the December 2009 and October 2010 Offering Memoranda is a "Core Document" within the meaning of the Securities Legislation.

233. Each of these Impugned Documents contained one or more misrepresentations as particularized above. Such misrepresentations and the Representation are misrepresentations for the purposes of the Securities Legislation.

234. Each of the Individual Defendants was an officer and/or director of Sino at material times. Each of the Individual Defendants authorized, permitted or acquiesced in the release of some or all of these Impugned Documents.

235. Sino is a reporting issuer within the meaning of the Securities Legislation.

236. E&Y is an expert within the meaning of the Securities Legislation. E&Y consented to the use of its statements particularized above in these Impugned Documents.

237. BDO is an expert within the meaning of the Securities Legislation. BDO consented to the use of its statements particularize above in these Impugned Documents.

238. Pöyry is an expert within the meaning of the Securities Legislation. Pöyry consented to the use of its statements particularized above in these Impugned Documents.

239. At all material times, each of Sino, Chan, Poon and Horsley, BDO and E&Y knew or, in the alternative, was wilfully blind to the fact, that the Impugned Documents contained the Representation and that the Representation was false, and that the Impugned Documents contained other of the misrepresentations that are alleged above to have been contained therein.

*(ii) Statutory Liability – Primary Market for Sino's Shares under the Securities Legislation*

240. As against Sino, Chan, Horsley, Wang, Martin, Mak, Murray, Hyde, Pöyry, BDO, E&Y, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on behalf

of those Class Members who purchased Sino shares in one of the distributions to which the June 2009 or December 2009 Prospectuses related, Labourers and Wong assert the cause of action set forth in s. 130 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

241. Sino issued the June 2009 and December 2009 Prospectuses, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Prospectuses or in the Sino disclosure documents incorporated therein by reference.

*(iii) Statutory Liability – Primary Market for Sino's Notes under the Securities Legislation*

242. As against Sino, and on behalf of those Class Members who purchased or otherwise acquired Sino's notes in one of the offerings to which the July 2008, June 2009, December 2009, and October 2010 Offering Memoranda related, Grant asserts the cause of action set forth in s. 130.1 of the *OSA* and, if necessary, the equivalent provisions of the Securities Legislation other than the *OSA*.

243. Sino issued the July 2008, June 2009, December 2009 and October 2010 Offering Memoranda, which contained the Representation and the other misrepresentations that are alleged above to have been contained in those Offering Memoranda or in the Sino disclosure documents incorporated therein by reference.

*(iv) Negligence Simpliciter – Primary Market for Sino's Securities*

244. Sino, Chan, Poon, Horsley, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry and the Underwriters (collectively, the "Primary Market Defendants") acted negligently in connection with one or more of the Offerings.

245. As against Sino, Chan, Horsley, Poon, Wang, Martin, Mak, Murray, Hyde, BDO, E&Y, Pöyry, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD, and on

behalf of those Class Members who purchased Sino's Securities in one of the distributions to which those Prospectuses related, Labourers and Wong assert negligence simpliciter.

246. As against Sino, BDO, E&Y, Pöyry, Credit Suisse USA, Banc of America and TD, and on behalf of those Class Members who purchased Sino's Securities in one of the distributions to which the Offering Memoranda related, Grant asserts negligence simpliciter.

247. The Primary Market Defendants owed a duty of care to ensure that the Prospectuses and/or the Offering Memoranda they issued, or authorized to be issued, or in respect of which they acted as an underwriter, initial purchaser or dealer manager, made full, true and plain disclosure of all material facts relating to the Securities offered thereby, or to ensure that their opinions or reports contained in such Prospectuses and Offering Memoranda did not contain a misrepresentation.

248. At all times material to the matters complained of herein, the Primary Market Defendants ought to have known that such Prospectuses or Offering Memoranda and the documents incorporated therein by reference were materially misleading in that they contained the Representation and the other misrepresentations particularized above.

249. Chan, Poon, Horsley, Wang, Martin, Mak, Murray and Hyde were senior officers and/or directors at the time the Offerings to which the Prospectuses related. These Prospectuses were created for the purposes of obtaining financing for Sino's operations. Chan, Horsley, Martin and Hyde signed each of the Prospectuses and certified that they made full, true and plain disclosure of all material facts relating to the shares offered. Wang, Mak and Murray were directors during one or more of these Offerings and each had a statutory obligation to manage or supervise the management of the business and affairs of Sino. Poon was a director for the June 2007 share Offering and was president of Sino at the time of the June 2009 and December 2009 Offering.

Poon, along with Chan, co-founded Sino and has been the president since 1994. He is intimately aware of Sino's business and affairs.

250. The Underwriters acted as underwriters, initial purchasers or dealer managers for the Offerings to which the Prospectuses and Offering Memoranda related. They had an obligation to conduct due diligence in respect of those Offerings and ensure that those Securities were offering at a price that reflected their true value or that such distributions did not proceed if inappropriate. In addition, Dundee, Merrill, Credit Suisse, Scotia, CIBC, RBC, Maison, Canaccord and TD signed one or more of the Prospectuses and certified that to the best of their knowledge, information and belief, the Prospectuses constituted full, true and plain disclosure of all material facts relating to the shares offered.

251. E&Y and BDO acted as Sino's auditors and had a duty to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

252. Pöyry had a duty to ensure that its opinions and reports reflected the true nature and value of Sino's assets. Pöyry, at the time it produced each of the 2008 Valuations, 2009 Valuations, and 2010 Valuations, specifically consented to the inclusion of those valuations or a summary at any time that Sino or its subsidiaries filed any documents on SEDAR or issued any documents pursuant to which any securities of Sino or any subsidiary were offered for sale.

253. The Primary Market Defendants have violated their duties to those Class Members who purchased Sino's Securities in the distributions to which a Prospectus or an Offering Memorandum related.



254. The reasonable standard of care expected in the circumstances required the Primary Market Defendants to prevent the distributions to which the Prospectuses or the Offering Memoranda related from occurring prior to the correction of the Representation and the other misrepresentations alleged above to have been contained in the Prospectuses or the Offering Memoranda, or in the documents incorporated therein by reference. Those Defendants failed to meet the standard of care required by causing the Offerings to occur before the correction of such misrepresentations.

255. In addition, by failing to attend and participate in Sino board and board committee meetings to a reasonable degree, Murray and Poon effectively abdicated their duties to the Class Members and as directors of Sino.

256. Sino, E&Y, BDO and the Individual Defendants further breached their duty of care as they failed to maintain or to ensure that Sino maintained appropriate internal controls to ensure that Sino's disclosure documents adequately and fairly presented the business and affairs of Sino on a timely basis.

257. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Prospectuses related, then securities regulators likely would not have issued a receipt for any of the Prospectuses, and those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's shares.

258. Had the Primary Market Defendants exercised reasonable care and diligence in connection with the distributions to which the Offering Memoranda related, then those distributions would not have occurred, or would have occurred at prices that reflected the true value of Sino's notes.

259. The Primary Market Defendants' negligence in relation to the Prospectuses and the Offering Memoranda resulted in damage to Labourers, Grant and Wong, and to the other Class Members who purchased Sino's Securities in the related distributions. Had those Defendants satisfied their duty of care to such Class Members, then those Class Members would not have purchased the Securities that they acquired under the Prospectuses or the Offering Memoranda, or they would have purchased them at a much lower price that reflected their true value.

(v) *Unjust Enrichment of Chan, Martin, Poon, Horsley, Mak and Murray*

260. As a result of the Representation and the other misrepresentations particularized above, Sino's shares traded, and were sold by Chan, Martin, Poon, Horsley, Mak and Murray, at artificially inflated prices during the Class Period.

261. Chan, Martin, Poon, Horsley, Mak and Murray were enriched by their wrongful acts and omissions during the Class Period, and the Class Members who purchased Sino shares from such Defendants suffered a corresponding deprivation.

262. There was no juristic reason for the resulting enrichment of Chan, Martin, Poon, Horsley, Mak and Murray.

263. The Class Members who purchased Sino shares from Chan, Martin, Poon, Horsley, Mak and Murray during the Class Period are entitled to the difference between the price they paid to such Defendants for such shares, and the price that they would have paid had the Defendants not made the Representation and the other misrepresentations particularized above, and had not committed the wrongful acts and omissions particularized above.

*(vi) Unjust Enrichment of Sino*

264. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via various documents, particularized above, that contained the Representation and the misrepresentations particularized above.

265. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the others misrepresentations particularized above.

266. Sino was enriched by, and those Class Members who purchased the Securities via the Offerings were deprived of, an amount equivalent to the difference between the amount for which the Securities offered were actually sold, and the amount for which such securities would have been sold had the Offerings not included the Representation and the misrepresentations particularized above.

267. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of Sino.

*(vi) Unjust Enrichment of the Underwriters*

268. Throughout the Class Period, Sino made the Offerings. Such Offerings were made via the Prospectuses and the Offering Memoranda, which contained the Representation and the other misrepresentations particularized above. Each of the Underwriters underwrote one or more of the Offerings.

269. The Securities sold by Sino via the Offerings were sold at artificially inflated prices as a result of the Representation and the other misrepresentations particularized above. The Underwriters earned fees from the Class, whether directly or indirectly, for work that they never

performed, or that they performed with gross negligence, in connection with the Offerings, or some of them.

270. The Underwriters were enriched by, and those Class Members who purchased securities via the Offerings were deprived of, an amount equivalent to the fees the Underwriters earned in connection with the Offerings.

271. The Offerings violated Sino's disclosure obligations under the Securities Legislation and the various instruments promulgated by the securities regulators of the Provinces in which such Offerings were made. There was no juristic reason for the enrichment of the Underwriters.

272. In addition, some or all of the Underwriters also acted as brokers in secondary market transactions relating to Sino securities, and earned trading commissions from the Class Members in those secondary market transactions in Sino's Securities. Those Underwriters were enriched by, and those Class Members who purchased Sino securities through those Underwriters in their capacity as brokers were deprived of, an amount equivalent to the commissions the Underwriters earned on such secondary market trades.

273. Had those Underwriters who also acted as brokers in secondary market transactions exercised reasonable diligence in connection with the Offerings in which they acted as Underwriters, then Sino's securities likely would not have traded at all in the secondary market, and the Underwriters would not have been paid the aforesaid trading commissions by the Class Members. There was no juristic reason for that enrichment of those Underwriters through their receipt of trading commissions from the Class Members.

*(vii) Oppression*

274. The Plaintiffs and the other Class Members had a reasonable and legitimate expectation that Sino and the Individual Defendants would use their powers to direct the company for Sino's

best interests and, in turn, in the interests of its security holders. More specifically, the Plaintiffs and the other Class Members had a reasonable expectation that:

- (a) Sino and the Individual Defendants would comply with GAAP, and/or cause Sino to comply with GAAP;
- (b) Sino and the Individual Defendants would take reasonable steps to ensure that the Class Members were made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino and the Individual Defendants would implement adequate corporate governance procedures and internal controls to ensure that Sino disclosed material facts and material changes in the company's business and affairs on a timely basis;
- (d) Sino and the Individual Defendants would not make the misrepresentations particularized above;
- (e) Sino stock options would not be backdated or otherwise mispriced; and
- (f) the Individual Defendants would adhere to the Code.

275. Such reasonable expectations were not met as:

- (a) Sino did not comply with GAAP;
- (b) the Class Members were not made aware on a timely basis of material developments in Sino's business and affairs;
- (c) Sino's corporate governance procedures and internal controls were inadequate;
- (d) the misrepresentations particularized above were made;
- (e) stock options were backdated and/or otherwise mispriced; and
- (f) the Individual Defendants did not adhere to the Code.

276. Sino's and the Individual Defendants' conduct was oppressive and unfairly prejudicial to the Plaintiffs and the other Class Members and unfairly disregarded their interests. These defendants were charged with the operation of Sino for the benefit of all of its shareholders. The value of the shareholders' investments was based on, among other things:

- (a) the profitability of Sino;
- (b) the integrity of Sino's management and its ability to run the company in the interests of all shareholders;
- (c) Sino's compliance with its disclosure obligations;
- (d) Sino's ongoing representation that its corporate governance procedures met with reasonable standards, and that the business of the company was subjected to reasonable scrutiny; and
- (e) Sino's ongoing representation that its affairs and financial reporting were being conducted in accordance with GAAP.

277. This oppressive conduct impaired the ability of the Plaintiffs and other Class Members to make informed investment decisions about Sino's securities. But for that conduct, the Plaintiffs and the other Class Members would not have suffered the damages alleged herein.

*(viii) Conspiracy*

278. Sino, Chan, Poon and Horsley conspired with each other and with persons unknown (collectively, the "Conspirators") to inflate the price of Sino's securities. During the Class Period, the Conspirators unlawfully, maliciously and lacking bona fides, agreed together to, among other things, make the Representation and other misrepresentations particularized above, and to profit from such misrepresentations by, among other things, issuing stock options in respect of which the strike price was impermissibly low.

279. The Conspirators' predominant purposes in so conspiring were to:

- (a) inflate the price of Sino's securities, or alternatively, maintain an artificially high trading price for Sino's securities;
- (b) artificially increase the value of the securities they held; and
- (c) inflate the portion of their compensation that was dependent in whole or in part upon the performance of Sino and its securities.

280. In furtherance of the conspiracy, the following are some, but not all, of the acts carried out or caused to be carried out by the Conspirators:

- (a) they agreed to, and did, make the Representation, which they knew was false;
- (b) they agreed to, and did, make the other misrepresentations particularized above, which they knew were false;
- (c) they caused Sino to issue the Impugned Documents which they knew to be materially misleading;
- (d) as alleged more particularly below, they caused to be issued stock options in respect of which the strike price was impermissibly low; and
- (e) they authorized the sale of securities pursuant to Prospectuses and Offering Memoranda that they knew to be materially false and misleading.

281. Stock options are a form of compensation used by companies to incentivize the performance of directors, officers and employees. Options are granted on a certain date (the 'grant date') at a certain price (the 'exercise' or 'strike' price). At some point in the future, typically following a vesting period, an options-holder may, by paying the strike price, exercise the option and convert the option into a share in the company. The option-holder will make money as long as the option's strike price is lower than the market price of the security at the

moment that the option is exercised. This enhances the incentive of the option recipient to work to raise the stock price of the company.

282. There are three types of option grants:

- (a) 'in-the-money' grants are options granted where the strike price is lower than the market price of the security on the date of the grant; such options are not permissible under the TSX Rules and have been prohibited by the TSX Rules at all material times;
- (b) 'at-the-money' grants are options granted where the strike price is equal to the market price of the security on the date of the grant or the closing price the day prior to the grant; and
- (c) 'out-of-the-money' grants are options granted where the strike price is higher than the market price of the security on the date of the grant.

283. Both at-the-money and out-of-the-money options are permissible under the TSX Rules and have been at all material times.

284. The purpose of both at-the-money and out-of-the-money options is to create incentives for option recipients to work to raise the share price of the company. Such options have limited value at the time of the grant, because they entitle the recipient to acquire the company's shares at or above the price at which the recipient could acquire the company's shares in the open market. Options that are in-the-money, however, have substantial value at the time of the grant irrespective of whether the company's stock price rises subsequent to the grant date.

285. At all material times, the Sino Option Plan (the "Plan") prohibited in-the-money options.

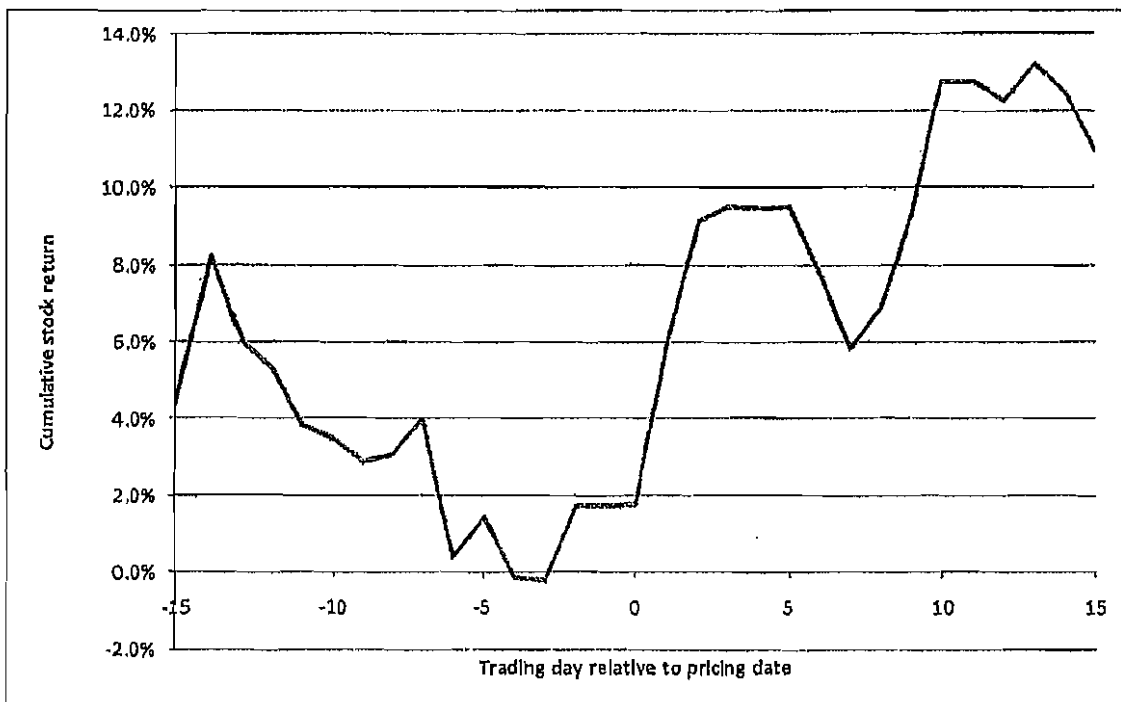
286. The Conspirators backdated and/or otherwise mispriced Sino stock options, or caused the backdating and/or mispricing of Sino stock options, in violation of, inter alia: (a) the *OSA* and the rules and regulations promulgated thereunder; (b) the Plan; (c) GAAP; (d) the Code; (e) the TSX



Rules; and (f) the Conspirators' statutory, common law and contractual fiduciary duties and duties of care to Sino and its shareholders, including the Class Members.

287. The Sino stock options that were backdated or otherwise mispriced included those issued on June 26, 1996 to Chan, January 21, 2005 to Horsley, September 14, 2005 to Horsley, June 4, 2007 to Horsley and Chan, August 21, 2007 to Sino insiders other than the Conspirators, November 23, 2007 to George Ho and other Sino insiders, and March 31, 2009 to Sino insiders other than the Conspirators.

288. The graph below shows the average stock price returns for fifteen trading days prior and subsequent to the dates as of which Sino priced its stock options to its insiders. As appears therefrom, on average the dates as of which Sino's stock options were priced were preceded by a substantial decline in Sino's stock price, and were followed by a dramatic increase in Sino's stock price. This pattern could not plausibly be the result of chance.



289. The conspiracy was unlawful because the Conspirators knowingly and intentionally committed the foregoing acts when they knew such conduct was in violation of, *inter alia*, the *OSA*, the Securities Legislation other than the *OSA*, the Code, the rules and requirements of the TSX (the "TSX Rules") and the *CBCA*. The Conspirators intended to, and did, harm the Class by causing artificial inflation in the price of Sino's securities.

290. The Conspirators directed the conspiracy toward the Plaintiffs and the other Class Members. The Conspirators knew in the circumstances that the conspiracy would, and did, cause loss to the Plaintiffs and the other Class Members. The Plaintiffs and the Class Members suffered damages when the falsity of the Representation and other misrepresentations were revealed on June 2, 2011.

## **XII. THE RELATIONSHIP BETWEEN SINO'S DISCLOSURES AND THE PRICE OF SINO'S SECURITIES**

291. The price of Sino's securities was directly affected during the Class Period by the issuance of the Impugned Documents. The Defendants were aware at all material times of the effect of Sino's disclosure documents upon the price of its Sino's securities.

292. The Impugned Documents were filed, among other places, with SEDAR and the TSX, and thereby became immediately available to, and were reproduced for inspection by, the Class Members, other members of the investing public, financial analysts and the financial press.

293. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino securities. Sino provided either copies of the above referenced documents or links thereto on its website.

294. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of their disclosure documents, including press releases on newswire services in Canada, the United States and elsewhere. Each time Sino communicated that new material information about Sino financial results to the public the price of Sino securities was directly affected.

295. Sino was the subject of analysts' reports that incorporated certain of the material information contained in the Impugned Documents, with the effect that any recommendations to purchase Sino securities in such reports during the Class Period were based, in whole or in part, upon that information.

296. Sino's securities were and are traded, among other places, on the TSX, which is an efficient and automated market. The price at which Sino's securities traded promptly incorporated material information from Sino's disclosure documents about Sino's business and affairs, including the Representation, which was disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

### **XIII. VICARIOUS LIABILITY**

#### ***A. Sino and the Individual Defendants***

297. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.

298. The acts or omissions particularized and alleged in this Claim to have been done by Sino were authorized, ordered and done by the Individual Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control and transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

299. At all material times, the Individual Defendants were officers and/or directors of Sino. As their acts and omissions are independently tortious, they are personally liable for same to the Plaintiffs and the other Class Members.

**B. E&Y**

300. E&Y is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

301. The acts or omissions particularized and alleged in this Claim to have been done by E&Y were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of E&Y. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of E&Y.

**C. BDO**

302. BDO is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

303. The acts or omissions particularized and alleged in this Claim to have been done by BDO were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of BDO. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of BDO.

**D. Pöyry**

304. Pöyry is vicariously liable for the acts and omissions of each of its officers, directors, partners, agents and employees as set out above.

305. The acts or omissions particularized and alleged in this Claim to have been done by Pöyry were authorized, ordered and done by its officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs of Pöyry. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of Pöyry.

**E. *The Underwriters***

306. The Underwriters are vicariously liable for the acts and omissions of each of their respective officers, directors, partners, agents and employees as set out above.

307. The acts or omissions particularized and alleged in this Claim to have been done by the Underwriters were authorized, ordered and done by each of their respective officers, directors, partners, agents and employees, while engaged in the management, direction, control and transaction of the business and affairs such Underwriters. Such acts and omissions are, therefore, not only the acts and omissions of those persons, but are also the acts and omissions of the respective Underwriters.

**XIV. REAL AND SUBSTANTIAL CONNECTION WITH ONTARIO**

308. The Plaintiffs plead that this action has a real and substantial connection with Ontario because, among other thing:

- (a) Sino is a reporting issuer in Ontario;
- (b) Sino's shares trade on the TSX which is located in Toronto, Ontario;
- (c) Sino's registered office and principal business office is in Mississauga, Ontario;
- (d) the Sino disclosure documents referred to herein were disseminated in and from Ontario;
- (e) a substantial proportion of the Class Members reside in Ontario;

- (f) Sino carries on business in Ontario; and
- (g) a substantial portion of the damages sustained by the Class were sustained by persons and entities domiciled in Ontario.

#### **XV. SERVICE OUTSIDE OF ONTARIO**

309. The Plaintiffs may serve the Notice of Action and Statement of Claim outside of Ontario without leave in accordance with rule 17.02 of the Rules of Civil Procedure, because this claim is:

- (a) a claim in respect of personal property in Ontario (para 17.02(a));
- (b) a claim in respect of damage sustained in Ontario (para 17.02(h));
- (c) a claim authorized by statute to be made against a person outside of Ontario by a proceeding in Ontario (para 17.02(n)); and
- (d) a claim against a person outside of Ontario who is a necessary or proper party to a proceeding properly brought against another person served in Ontario (para 17.02(o)); and
- (e) a claim against a person ordinarily resident or carrying on business in Ontario (para 17.02(p)).

#### **XVI. RELEVANT LEGISLATION, PLACE OF TRIAL, JURY TRIAL AND HEADINGS**

310. The Plaintiffs plead and rely on the *CJA*, the *CPA*, the Securities Legislation and *CBCA*, all as amended.

311. The Plaintiffs propose that this action be tried in the City of Toronto, in the Province of Ontario, as a proceeding under the *CPA*.

312. The Plaintiffs will serve a jury notice.

313. The headings contained in this Statement of Claim are for convenience only. This Statement of Claim is intended to be read as an integrated whole, and not as a series of unrelated components.

~~April 18, 2012~~

January 26/12

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Lawyers for the Plaintiffs

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

Trustees of the Labourers' Pension Fund of Central and Eastern Canada, *et al.* and Sino-Forest Corporation, *et al.*

Plaintiffs

Defendants

**ONTARIO**

**SUPERIOR COURT OF JUSTICE**

Proceeding commenced at Toronto

Proceeding under the *Class Proceedings Act*,

**FRESH AS AMENDED STATEMENT OF C**

**(NOTICE OF ACTION ISSUED JULY 20,**

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Lawyers for the Plaintiffs



**TAB B**

THIS IS EXHIBIT "B" TO  
THE AFFIDAVIT OF ELIZABETH FIMIO  
SWORN JUNE 8, 2012



---

A Commissioner, etc.

**Daniel Holden**  
**Barrister & Solicitor**

( )  
CANADA  
PROVINCE OF QUEBEC  
DISTRICT OF QUÉBEC  
NO: 200-06-000132-1.1.1

(Class Action)  
SUPERIOR COURT

**GUINING LIU**, residing at 6580  
Monkland Ave, Unit 103, Montreal,  
Quebec, H4B 2N4;

Petitioner;

V.

**SINO-FOREST CORPORATION**, legal  
person established pursuant to the Canada  
Business Corporations Act, having its head  
office at 1208-90 Burnhamthorpe Rd W,  
Mississauga, Ontario, L5B 3C3 ;

and

**ERNST & YOUNG LLP**, legal person  
having its head office at 222 Bay Street,  
Toronto, Ontario, M5K 1J7 ;

and

**ALLEN T.Y. CHAN**, Sino-Forest  
Corporation, 1208-90 Burnhamthorpe Rd  
W, Mississauga, Ontario, L5B 3C3 ;

and

**W. JUDSON MARTIN**, Sino-Forest  
Corporation, 1208-90 Burnhamthorpe Rd  
W, Mississauga, Ontario, L5B 3C3 ;

and

**KAI KIT POON**, Sino-Forest Corporation,  
1208-90 Burnhamthorpe Rd W,  
Mississauga, Ontario, L5B 3C3 ;

and

**DAVID J. HORSLEY**, Sino-Forest  
Corporation, 1208-90 Burnhamthorpe Rd  
W, Mississauga, Ontario, L5B 3C3 ;

and

**WILLIAM E. ARDELL**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**JAMES P. BOWLAND**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**JAMES M.E. HYDE**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**EDMUND MAK**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**SIMON MURRAY**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

**PETER WANG**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**GARRY J. WEST**, Sino-Forest Corporation, 1208-90 Burnhamthorpe Rd W, Mississauga, Ontario, L5B 3C3 ;

and

**PÖYRY (BEIJING) CONSULTING COMPANY LIMITED**, legal person having its head office at 2208-2210 Cloud 9 Plaza, No. 1118 West Yan'an Road, Shanghai 200052, PR China ;

Defendants;

**MOTION TO AUTHORIZE THE BRINGING OF A CLASS ACTION AND TO OBTAIN THE  
STATUS OF REPRESENTATIVE  
(Article 1002 C.C.P. and following)**

---

**TO ONE OF THE HONOURABLE JUSTICES OF THE QUEBEC SUPERIOR COURT,  
SITTING IN AND FOR THE DISTRICT OF QUEBEC, YOUR PETITIONER STATES AS  
FOLLOWS :**

**General presentation**

1. The Petitioner wishes to institute a class action on behalf of the following group, of which he is a member (the "Group"):

"All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any Individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the "Class Period")."

or such other group definition as may be approved by the Court.

2. Sino-Forest Corporation (along with its subsidiaries, "Sino") is a public company and its shares were listed for trading at all material times on the Toronto Stock

Exchange (the "TSX") under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the TradeGate market as "SFJ TH."

3. At all material times, Sino purported to be a legitimate enterprise operating as a commercial forest plantation operator in the People's Republic of China ("PRC"). At all material times, Sino overstated the nature of its forestry operations and misrepresented the fact that its financial reporting had complied with Canadian GAAP, when in fact it had not done so.
4. The relief that the Petitioner seeks includes the following:
  - a) damages in an amount equal to the losses that it and the other Members of the Group suffered as a result of purchasing or acquiring the securities of Sino at inflated prices during the Class Period;
  - b) a declaration that every prospectus, management's discussion and analysis, annual information form, information circular, annual financial statement, interim financial report, Form 52-109F2 and Form 52-109F1 issued by Sino-Forest Corporation after August 12, 2008 (the "Impugned Documents") contained one or more misrepresentations;
  - c) a declaration that Sino-Forest Corporation is vicariously liable for the acts and/or omissions of Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang, Garry J. West

(the "Individual Defendants"), and of its other officers, directors and employees;

d) a declaration that Ernst and Young LLP is vicariously liable for the acts and/or omissions of each of its officers, directors, partners and employees; and

e) a declaration that Pöyry (Beijing) Consulting Company Limited is vicariously liable for the acts and/or omissions of each of its officers, directors and employees.

#### **The Petitioner**

5. The Petitioner is one of thousands of investors who purchased shares of Sino during the Class Period and continued to hold shares of Sino when the price of Sino's securities declined due to the correction of the misrepresentations alleged herein.

6. During the Class Period, the Petitioner made net purchases of 1,000 Sino shares over the TSX. **[Particulars of the Petitioner's Class Period transactions are attached hereto as P-1].**

#### **The Defendants**

7. The defendant Sino purports to be a commercial forest plantation operator in the PRC. Sino is a corporation formed under the *Canada Business Corporations Act*, RSC 1985, c C-44 (the "CBCA").

8. At the material times, Sino was a reporting Issuer in all provinces of Canada, and had its registered office located in Mississauga, Ontario. At the material times, Sino's shares were listed for trading on the TSX under the ticker symbol "TRE," on the Berlin exchange as "SFJ GR," on the OTC market in the United States as "SNOFF" and on the TradeGate market as "SFJ TH." Sino securities are also listed on alternative trading systems in Canada and elsewhere including, without limitation, AlphaToronto and PureTrading. Sino also has various debt instruments, derivatives and other securities which are publicly traded in Canada and elsewhere.
9. The defendants Allen T.Y. Chan, W. Judson Martin, Kai Kit Poon, David J. Horsley, William E. Ardell, James P. Bowland, James M.E. Hyde, Edmund Mak, Simon Murray, Peter Wang and Garry J. West (the "D&Os") are officers and/or directors of Sino. Each of them are directors and/or officers of Sino within the meaning of the *Securities Act*, RSQ c V-1.1 (the "*Securities Act*").
10. The defendant Ernst & Young LLP ("E&Y") is Sino's auditor. E&Y is an expert of Sino within the meaning of the *Securities Act*.
11. The defendant Pöyry (Beijing) Consulting Company Limited ("Pöyry") is an international forestry consulting firm. Pöyry is an expert of Sino within the meaning of the *Securities Act*.

### **Sino's Continuous Disclosure Obligations**

12. As a reporting issuer in Quebec, Sino was required throughout the Class Period to issue and file with SEDAR:



- within 60 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP including a comparative statement to the end of each of the corresponding periods in the previous financial year;
  - within 140 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year; and
  - contemporaneously with each of the above, management's discussion and analysis of each of the above financial statements.
13. The Defendants issued the disclosure documents referenced herein pursuant to their statutory obligation to do so, and also for the specific purpose of attracting investment in Sino's securities, and inducing members of the public to purchase those securities.

### **The Defendants' Misrepresentations**

14. Throughout the Class Period, Sino falsely purported to be a legitimate enterprise operating as a commercial forest plantation operator in the PRC. As part of its obligations as a reporting issuer in Quebec (and elsewhere), Sino issued the Impugned Documents. In those documents, Sino made statements concerning the nature of its business, its revenues, profitability, future prospects and compliance with the laws of the PRC and of Canada, implicitly and explicitly and through documents incorporated by reference.

- ( )
15. In fact, such statements were materially false and/or misleading. During the Class Period, Sino overstated its forestry assets, misrepresented its revenue recognition practices, falsely maintained that its financial statements complied with Canadian GAAP and issued materially misleading statements regarding Chinese law and Sino's compliance therewith, among other misrepresentations.
  16. On June 2, 2011, however, the truth was at least partially revealed. As a result, the market value of Sino's securities fell dramatically, and the market value for Sino's shares in particular fell by in excess of 70% on extraordinarily heavy trading volume. Trading of Sino common shares was halted on the TSX after a decline in excess of 24% on June 2. When trading resumed on the TSX on June 3, Sino shares fell in excess of a further 63%, for a two-day drop in excess of nearly 73%.

### **The Defendants' Fault**

#### **The Defendants Owed Duties to the Members of the Group**

17. The Defendants owed a duty to the Petitioner and to persons and entities similarly situated, at law and under provisions of the *Securities Act* (chapter V-1.1), to disseminate promptly, or to ensure that prompt dissemination of truthful, complete and accurate statements regarding Sino's business and affairs, and promptly to correct previously-issued, materially inaccurate information, so that the price of Sino's publicly-traded securities was based on complete, accurate and truthful information.
18. At all times material to the matters complained of herein, each of the Defendants knew or ought reasonably to have known that the trading price of Sino's publicly

traded securities was directly influenced by the statements disseminated by the Defendants concerning the business and affairs of Sino.

19. As such, the Defendants knew or ought reasonably to have known that a failure to ensure that Sino's disclosures referenced herein were materially accurate and materially complete would cause Sino's securities to become inflated, and thus would cause damage to persons who invested in Sino's securities while their price remained inflated by such false statements.

#### **The Defendants Violated their Duties**

20. Certain statements made by Sino and the D&Os in the Impugned Documents were materially false and/or misleading. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Group plead negligent misrepresentation as against Sino and the D&Os.
21. Sino's internal controls, which were designed and/or maintained by the D&Os, were inadequate or ignored. The D&Os owed a duty of care to the Petitioner and the Members of the Group to properly design and/or maintain such internal controls. The Petitioner and the Group plead negligence as against the D&Os in connection thereto.
22. E&Y made statements in certain of the Impugned Documents that were continuous disclosure documents that the audited financial statements contained or incorporated by reference therein "present fairly, and in all material respects,

the financial position of [Sino] [...] and the results of its operations and cash flows [...] In accordance with Canadian generally accepted accounting principles" (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and the true value of Sino's securities became clear, the Petitioner and the Group were injured thereby. In respect of Sino's continuous disclosure documents, the Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y.

23. E&Y made statements in those of the Impugned Documents that are prospectuses that the Sino financial statements contained or incorporated by reference therein "complied with Canadian generally accepted standards for an auditor's involvement with offering documents" (or similar language). Such statements were materially false and/or misleading, and E&Y lacked a reasonable basis to make such statements when E&Y made them. E&Y knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Group were injured thereby. The Petitioner and the Group plead negligence and negligent misrepresentation as against E&Y in respect of Sino's Class Period prospectuses.

24. Pöyry made statements regarding the nature of Sino's operations in reports dated on or about May 31, 2011, May 27, 2011, April 23, 2010 and April 2, 2009. Such statements were materially false and/or misleading, and Pöyry lacked a reasonable basis to make such statements when Pöyry made such statements. Pöyry knowingly prepared its reports for use by Sino's security holders and prospective security holders. The Petitioner and the Members of the Group relied on such statements directly or indirectly or via the instrumentality of the markets on which Sino securities traded. When the truth was revealed and true value of Sino's securities became clear, the Petitioner and the Members of the Group were injured thereby. The Petitioner and the Members of the Group plead negligence and negligent misrepresentation as against Pöyry.
25. At all times material to the matters complained of herein, each of the Defendants ought to have known that Sino's disclosure documents described herein were materially misleading as detailed above. Accordingly, the Defendants have violated their duties to the Petitioner and to persons or entities similarly situated.
26. The reasonable standard of care expected in the circumstances required the Defendants to act fairly, reasonably, honestly, candidly and in the best interests of the Petitioner and the other Members of the Group.
27. The Defendants failed to meet the standard of care required by issuing Sino's disclosure documents during the relevant period, which were materially false and/or misleading as described above.
28. The negligence of the Defendants resulted in the damage to the Petitioner and Members of the Group as pleaded.

### **The Relationship Between Sino's Disclosures and the Price of Sino's Securities**

29. The price of Sino's securities was directly affected during the Class Period by the issuance of the disclosure documents described herein. The Defendants were aware at all material times of the effect of Sino's disclosures upon the price of its Sino's securities.
30. The disclosure documents referenced above were filed, among other places, with SEDAR and the TSX and thereby became immediately available to, and were reproduced for inspection by, the Members of the Group, other members of the investing public, financial analysts and the financial press.
31. Sino routinely transmitted the documents referred to above to the financial press, financial analysts and certain prospective and actual holders of Sino's securities. Sino provided either copies of the above referenced documents or links thereto on its website.
32. Sino regularly communicated with the public investors and financial analysts via established market communication mechanisms, including through regular disseminations of press releases on newswire services in Canada, the United States and elsewhere. The price of Sino's securities was directly affected each time SINO communicated new material information about Sino's financial results to the public.
33. Sino was the subject of analysts' reports that incorporated material information contained in the disclosure documents referred to above, with the effect that any recommendations in such reports during the Class Period were based, in whole or in part, upon that information.

34. Sino's securities were and are traded on efficient and automated markets. The price at which Sino's securities traded promptly incorporated material information about Sino's business and affairs, including the omissions and/or misrepresentations described herein, which were disseminated to the public through the documents referred to above and distributed by Sino, as well as by other means.

**Statutory Liability for Misrepresentations – Secondary Market**

35. Each of the Impugned Documents is a "Core Document" within the meaning of the *Securities Act*.
36. Each of the Impugned Documents contained one or more misrepresentations.
37. Each of the D&Os was an officer and/or director of Sino at all material times. Each of the D&Os authorized, permitted or acquiesced in the release of some or all of the Impugned Documents.
38. Sino is a reporting issuer within the meaning of the *Securities Act*.
39. Pöyry is an expert within the meaning of the *Securities Act*.
40. E&Y is an expert within the meaning of the *Securities Act*.
41. The Petitioner and the Group assert the causes of action set forth in Title VIII, Chapter II, Division II of the *Securities Act* as against Sino, Pöyry, the D&Os and E&Y and will seek leave, if and as required, in connection therewith.

**Statutory Liability for Misrepresentations – Primary Market**

42. Sino issued prospectuses on December 11, 2009 and June 1, 2009 (the "Prospectuses," both of which are Impugned Documents).
43. The defendants E&Y, Chan, Horsley, Martin and Hyde signed the Prospectuses.
44. The Prospectuses contained one or more misrepresentations within the meaning of the *Securities Act*.
45. The Petitioner and the Group plead the cause of action found in Title VIII, Chapter II, Division I of the *Securities Act* as against all Defendants.

**Vicarious Liability of Sino**

46. Sino is vicariously liable for the acts and omissions of the Individual Defendants particularized in this Claim.
47. The acts or omissions particularized and alleged herein to have been done by Sino were authorized, ordered and done by the Defendants and other agents, employees and representatives of Sino, while engaged in the management, direction, control transaction of the business and affairs of Sino. Such acts and omissions are, therefore, not only the acts and omissions of the Individual Defendants, but are also the acts and omissions of Sino.

**Damages**

48. As a result of the acts and omissions described above, the Petitioner and the other Members of the Group were induced to over-pay substantially for Sino's



securities. Such persons and entities have suffered damages equivalent to the loss in market value that occurred when Sino corrected the Misrepresentations.

49. The Petitioner and other Members of the Group are also entitled to recover, as damages or costs, the costs of administering the plan to distribute the recovery in this action.

**Conditions required to institute a class action**

50. The composition of the Group makes the application of article 59 or 67 C.C.P. impracticable for the following reasons:

- The number of persons included in the group is estimated to be several thousand;
- The names and addresses of persons included in the group are not known to the Petitioner (but are likely to be known to Defendants);
- All the facts alleged in the preceding paragraphs make the application of articles 59 or 67 C.C.P. impossible.

51. The claims of the Members of the Group raise identical, similar or related questions of fact or law, namely:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants' Misrepresentations cause the share price of Sino's stock to be artificially inflated during the Class Period?

- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?
- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?
- Are the Defendants jointly responsible for the damages sustained by each of the members?

52. The Interests of justice weigh in favour of this motion being granted in accordance with its conclusions.

**Nature of the action and conclusions sought**

53. The action that the Petitioner wishes to institute for the benefit of the Members of the Group is an action in damages;

54. The conclusions that the Petitioner wishes to introduce by way of a motion to institute proceedings are:

**GRANT** the Petitioner's action against the Defendants;

**CONDEMN** Defendants to pay to the Members of the Group compensatory damages for all monetary losses;

**GRANT** the class action of the Petitioner on behalf of all the Members of the Group;

**ORDER** the treatment of individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;

**THE WHOLE** with Interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice expenses;

55. The Petitioner suggests that this class action be exercised before the Superior Court in the district of Quebec for the following reasons:

- A great number of the Members of the Group resides in the judicial district of Montreal and in the appeal district of Quebec;
- The Petitioner and his lawyers are domiciled in the district of Quebec.

56. The Petitioner, who is requesting to obtain the status of representative, will fairly and adequately protect and represent the interest of the Members of the Group for the following reasons:

- He understands the nature of the action;
- He is available to dedicate the time necessary for an action to collaborate with Members of the Group; and
- His interests are not antagonistic to those of other Members of the Group.

57. The present motion is well-founded in fact and in law.

**FOR THESE REASONS, MAY IT PLEASE THE COURT:**

**GRANT** the present motion;

**AUTHORIZE** the bringing of a class action in the form of a motion to Institute proceedings in damages;

**ASCRIBE** the Petitioner the status of representative of the persons included in the group herein described as:

“All persons or entities domiciled in Quebec (other than the Defendants, their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives, heirs, predecessors, successors and assigns, and any individual who is an immediate member of the families of the individual named defendants) who purchased or otherwise acquired, whether in the secondary market, or under a prospectus or other offering document in the primary market, equity, debt or other securities of or relating to Sino-Forest Corporation, from and including August 12, 2008 to and including June 2, 2011 (the “Class Period”).”

or such other class definition as may be approved by the Court.

**IDENTIFY** the principle questions of fact and law to be treated collectively as the following:

- Did the Defendants authorize or issue false and/or misleading public information?
- Did the Defendants’ Misrepresentations cause the share price of Sino’s stock to be artificially inflated during the Class Period?
- Did the Defendants therefore commit a fault towards the Petitioner and the Members of the Group, thereby engaging their liability?

- What prejudice was sustained by the Petitioner and the Members of the Group as a result of the Defendants' faults?
- Are the Defendants jointly responsible for the damages sustained by each of the Members of the Group?

**IDENTIFY** the conclusions sought by the class action to be instituted as being the following:

**GRANT** the Petitioner's action against the Defendants;

**DECLARE** that the Defendants made the Misrepresentations during the Class Period;

**DECLARE** that the Defendants made the Misrepresentations negligently;

**DECLARE** that Sino is vicariously liable for the acts and/or omissions of the Individual Defendants;

**CONDEMN** Defendants to pay to the Members of the Group compensatory damages in the amount of 4 billion\$, or such other sum as this Court finds appropriate for all monetary losses;

**GRANT** the class action of the Petitioner on behalf of all the Members of the Group;

**ORDER** the treatment of Individual claims of each Member of the Group in accordance with articles 1037 to 1040 C.C.P.;

**THE WHOLE** with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses including expert fees and notice fees;

**DECLARE** that all Members of the Group that have not requested their exclusion from the Group in the prescribed delay to be bound by any judgement to be rendered on the class action to be instituted;

**FIX** the delay of exclusion at 30 days from the date of the publication of the notice to the Members of the Group;

**ORDER** the publication of a notice to the Members of the Group in accordance with article 1006 C.C.P.;

**THE WHOLE** with costs to follow.

Quebec, June 9, 2011

(s) SISKINDS, DESMEULES

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SISKINDS, DESMEULES, AVOCATS

(Me Simon Hébert)

Lawyer for the Petitioner

**SCHEDULE 1****NOTICE TO DEFENDANT**

Take notice that the plaintiff has filed this action or application in the office of the Superior Court of the judicial district of Québec.

To file an answer to this action or application, you must first file an appearance, personally or by advocate, at the courthouse of Québec located at 300, boul. Jean-Lesage, Québec, G1K 8K6 within 10 days of service of this motion.

If you fail to file an appearance within the time limit indicated, a judgment by default may be rendered against you without further notice upon the expiry of the 10 day period.

If you file an appearance, the action or application will be presented before the court on September 23, 2011, at 9h00 a.m., in room 3.14 of the courthouse. On that date, the court may exercise such powers as are necessary to ensure the orderly progress of the proceeding or the court may hear the case, unless you have made a written agreement with the plaintiff or the plaintiff's advocate on a timetable for the orderly progress of the proceeding. The timetable must be filed in the office of the court.

These exhibits are available on request.

Quebec City June 9, 2011

(s) SISKINDS, DESMEULES

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SISKINDS, DESMEULES, AVOCATS  
(Me Simon Hébert)  
Lawyers for the Petitioner

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS  
AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SINO-FOREST  
CORPORATION

Court of Appeal File No. M42068  
Commercial List Court File No. CV-12-9667-00CL

***COURT OF APPEAL FOR ONTARIO***

**MOTION RECORD OF THE  
UNDERWRITERS**

(responding to the motion for leave to appeal  
from the Sanction Order)

**VOLUME III OF IV**

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