SINO-FOREST CORPORATION

Annual Information Form
in respect of the year ended
December 31, 2000

April 26, 2001

GLOSSARY

Certain terms used herein are defined below:

“BDMT” means bone dry metric tonnes;

“CJV” means a co-operative joint venture established under CJV Law and, if the context so requires, means a CJV which is subject to a CJV Agreement;

“CJV Agreement” means, with respect to a CJV, the CJV agreement between the Company and the CJV PRC partner;

“CJV Law” means the Law of the PRC on Sino-Foreign Co-operative Joint Ventures and the Detailed Implementing Rules for the Law of the PRC on Sino-Foreign Co-operative Joint Ventures promulgated by the Ministry of Foreign Trade and Economic Cooperation;

“China” or “PRC” means the People’s Republic of China;

“Class A Subordinate-Voting Shares” means the Class A Subordinate-Voting Shares of the Company;

“Class B Multiple-Voting Shares” means the Class B Multiple-Voting Shares of the Company;

“Collectively-Owned Enterprises” means collective enterprises owned by local groups for which the Chinese government is not responsible for wages or similar operations;

“Company” refers to Sino-Forest and its subsidiaries, or any of them, as the context requires;

“Company’s Joint Ventures” means the CJVs established pursuant to the CJV Agreements and **“Company’s Joint Venture”** means one of them (and shall, unless otherwise specified or unless the context otherwise requires, means a CJV);

“contract supply” means the supply of wood-based building materials on a contract basis. A provider of contract supply services first obtains a contract, which specifies customer requirements on products, volume, pricing and delivery time. The provider then undertakes the responsibilities of sourcing materials, organizing production and delivering products according to the agreed contract terms. Contract supply may involve certain customer services such as custom design, material selection, installation and financing;

“EJV” means an equity joint venture established under EJV Law;

“EJV Law” means the Law of the PRC on Joint Venture Using Chinese and Foreign Investments and the regulations promulgated thereunder;

“FERT” means the Department of Foreign Economic Relations and Trade;

“FIEs” means foreign-invested enterprises, being enterprises owned by foreign individuals or foreign companies in the PRC;

“Gaoyao Mill” means the Gaoyao’s particleboard mill in Guangdong Province;

“Hectare” means an area equal to 2.47 acres;

“Income Tax Law” means the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises promulgated by the NPC and the Detailed Implementing Rules for the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises;

“Joint Venture” means, unless otherwise specified or unless the context otherwise requires, a CJV;

“m^3” means cubic metre(s), one of which equals 0.62 BDMT;

“NPC” means the National People’s Congress which is the supreme legislative body in China;

“particleboard” means a reconstituted wood panel consisting of wood particles bonded together with resins under heat and high pressure;

“phase-in” means the act of accepting and taking control of certain lands for the purpose of management and operations under the terms of a CJV Agreement;

“Plantation” means a man-made forest which has been planted according to intended specifications, as opposed to a natural forest;

“Plantation Service Contract” means a plantation service contract between the Company’s CJV and a Service Company of the PRC;

“Privately-Owned Enterprises” means businesses operated by private individuals;

“RMB” means Renminbi Yuan, which is the legal currency in China;

“Service Companies” means the plantation service companies which are subsidiaries of the Company’s CJV PRC partners;

“Sino-foreign” describes an enterprise in the PRC which has a foreign party holding at least 25% of the shares in the enterprise;

“Sino-Forest” means Sino-Forest Corporation;

“Sino-Panel” means Sino-Panel Holdings Limited (BVI), a wholly-owned subsidiary of Sino-Forest;

“Sino-Wood” means Sino-Wood Partners, Limited, a wholly-owned subsidiary of Sino-Forest;

“State” means the government of China;

“State-Owned Enterprises” means enterprises wholly-owned by the people of China acting through the Chinese government;

“TSE” means The Toronto Stock Exchange;

“tonne” means metric ton - 1,000 kilograms or 2,204.6 pounds;

"WFOE" means a wholly foreign-owned enterprise established in the PRC; and

"wood chips" means small pieces of wood used to make pulp which are made from pulp wood harvested specifically for this purpose. Wood chips are generally somewhat uniform in size and are larger and coarser than sawdust.

Unless otherwise indicated, all dollar amounts in this document are expressed in United States dollars.

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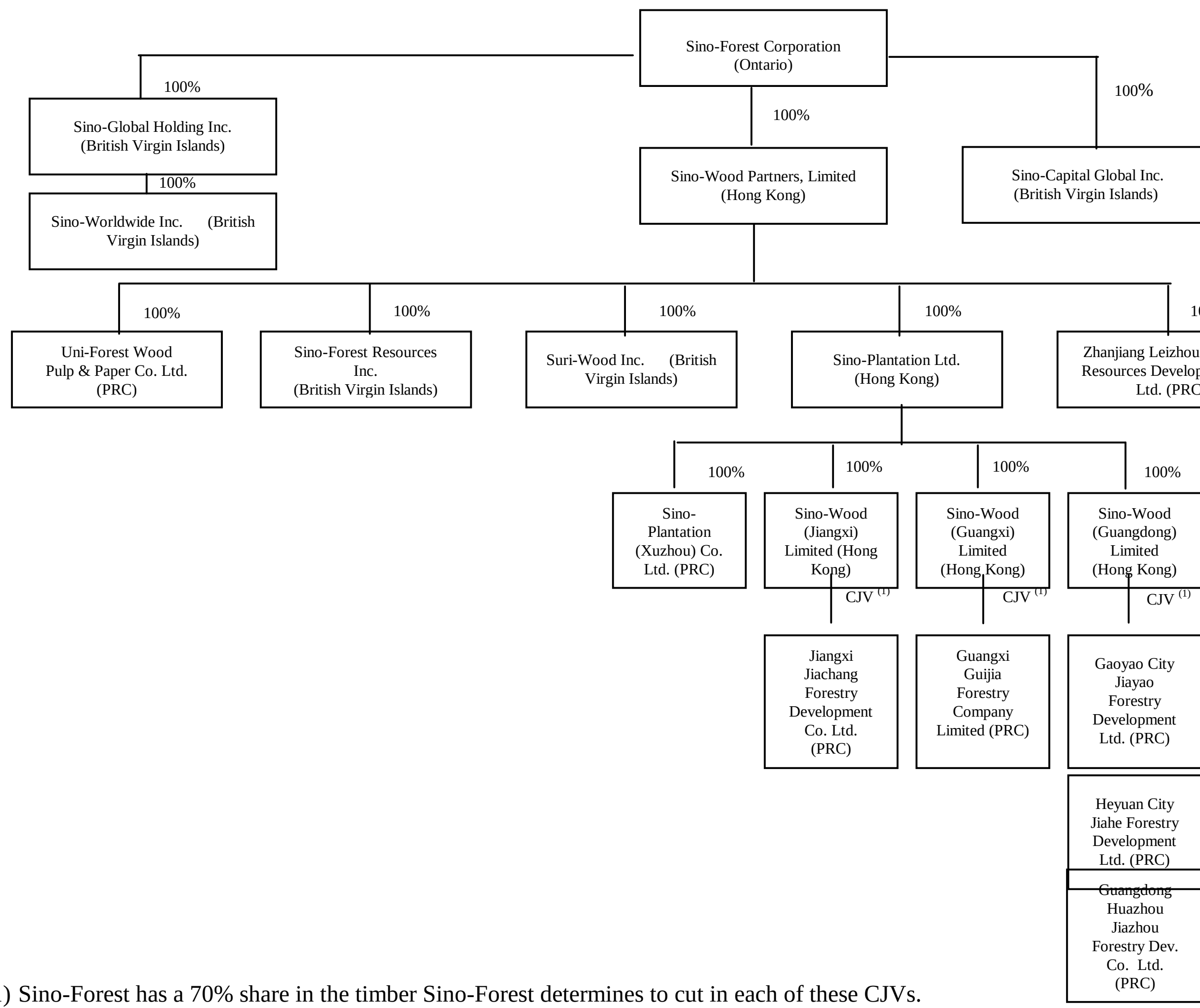
THE COMPANY

Sino-Forest 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 Class A Subordinate-Voting Shares and the Class B Multiple-Voting Shares.

Sino-Forest has offices located in Toronto, Hong Kong and the PRC. The executive offices of Sino-Forest are located at 1409 Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The registered office and principal business office of Sino-Forest is located at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3.

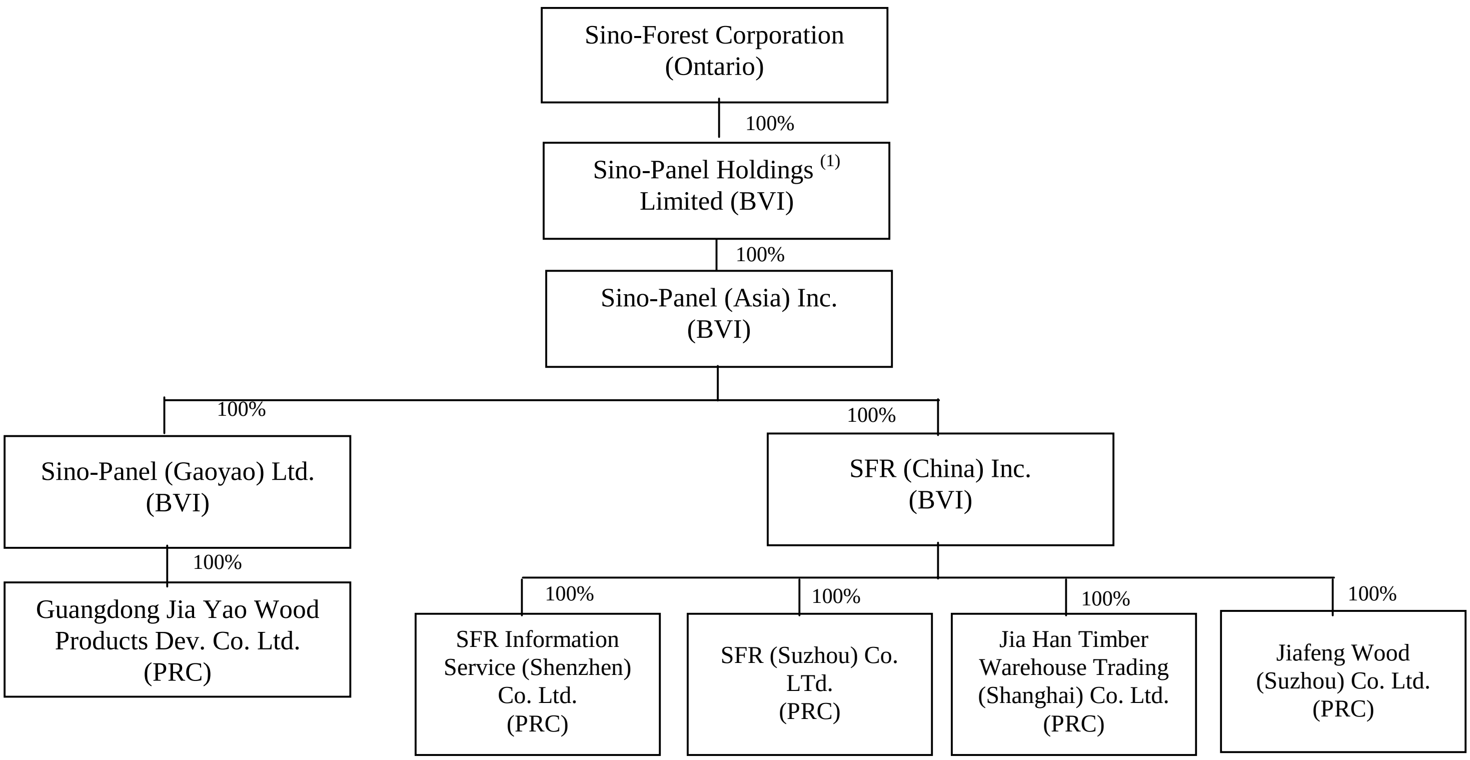
With respect to the plantation operations of the Company, the following chart illustrates the corporate relationships between Sino-Forest, its subsidiaries and principal joint venture interests in the Company's plantation business and identifies their respective jurisdictions of incorporation or organization and the appropriate percentage of ownership interest beneficially held by Sino-Forest:



(1) Sino-Forest has a 70% share in the timber Sino-Forest determines to cut in each of these CJVs.

Sino-Forest, through is subsidiaries and joint ventures, operates an integrated forest products company which has rights to manage and operate approximately 603,000 hectares of plantations in southern China for up to 50 years from the date the plantation lands are phased-in. The Company's plantation operations include timber harvesting, replanting, maintenance, wood chip processing and marketing and export operations. The plantations, when fully phased-in, will allow the Company to produce an annual sustainable yield of over 4 million BDMT of saleable wood chips from its eucalyptus, aspen and pine trees.

With respect to the development of the wood-based panel operations of the Company, the following chart illustrates the corporate relationships between Sino-Panel, a wholly-owned subsidiary of Sino-Forest, its subsidiaries and its EJV interests in the PRC and identifies their respective jurisdictions of incorporation or organization and the appropriate percentage of ownership interest held by Sino-Panel.



Note:

(1) Sino-Panel has granted options to Sino-Panel's senior management to acquire up to 10% of Sino-Panel's equity on a fully-diluted basis (after giving effect to any future initial public financing by Sino-Panel), for nominal consideration, with Sino-Forest retaining the remainder.

GENERAL DEVELOPMENT OF THE BUSINESS

PLANTATION OPERATIONS

The Company commenced its plantation operations in 1994 as a result of the acquisition of Sino-Wood, a company incorporated under the laws of Hong Kong. The principal business of Sino-Wood has evolved through several phases and is now the management and operation of, and investment in, tree plantations in the PRC and the production of wood chips and logs which are used to make pulp and engineered wood products. The Company is the first, and continues to be the only, foreign-owned producer and exporter of wood chips and logs in the PRC practising sustainable forestry management. The Company's current wood chip shipments are produced from eucalyptus trees grown in partnership with the local forestry bureaus or State-Owned Enterprises in the PRC. The Company also earns commission income on lumber, wood chips and wood products trading.

The Company's joint venture tree plantations are all located in southern China where the hot, humid, tropical and sub-tropical weather and soil conditions provide for short cycles (from planting to harvest) of five years for eucalyptus and aspen and 12 years for pine trees. Through its various existing agreements with several State-Owned forestry bureaus, management of the Company expects that it will have, when fully phased-in, 603,000 hectares of tree plantation lands under its management and operation, thereby allowing the Company to produce an expected sustainable annual yield of approximately 4 million BDMT of wood chip fibre.

The table below sets out the provinces in the PRC in which the Company's CJV joint venture plantations are located and the hectarage in each of these provinces when the plantation lands are fully phased-in.

Provinces		**Hectares**
Guangxi		250,000
Jiangxi		250,000
Guangdong		103,000
	Total	**603,000**

Since the commencement of operations in 1994, the Company has grown rapidly, with wood chip and log shipments handled by the Company, as both principal and sales agent, increasing from 156,300 BDMT in 1994 to 2,201,000 BDMT in 2000. It is management's experience that wood chip and log production in the PRC is generally seasonal, with approximately 60% to 70% of the production occurring in the second half of the year.

The Company's Joint Ventures' wood chips and logs are currently sold in the export market, primarily to Japan and Taiwan, and in the domestic PRC market. Export sales of the Company are all made in U.S. dollars, generally based on contract prices of Australian wood chips sold in Japan as pricing references.

Management expects that the Company's production will continue to grow over the next few years as a result of the planned annual phase-in of the plantation lands and the expected increase in demand of pulpwood and chips in the Asia-Pacific region. As at December 31, 2000, the Company had phased-in approximately 177,000 hectares of plantations, or approximately 29% of the lands currently under contract. Given its proximity to the marketplace, especially Japan which imports approximately two-thirds of the world supply of pulpwood fibre and the large domestic PRC market, the Company believes it has an advantage as a low cost provider to these key markets over its competitors in North America, South America and Australia. When all the hectarage of its tree plantations are fully phased-in, management believes that the Company will be a significant provider of wood chip fibre to the Asian market.

For further details, see "Business of the Company - Plantation Operations".

WOOD-BASED PANEL OPERATIONS

Sino-Panel was incorporated in November 1997 to provide the Company with a separate vehicle to pursue opportunities in China's wood-based panel industry and to focus on the manufacture and sale of value-added wood products in China. As part of the Company's strategy to take advantage of the value of its plantations and the rapid growth of the engineered wood products sector, the Company has established a WFOE to pursue the manufacture and sale of particleboard. The particleboard production facility of this WFOE commenced commercial production in March 2001.

The Company's particleboard mill is capable of producing international quality board. The production facility is expected to have a capacity to produce 100,000 cubic metres of particleboard per annum, utilizing equipment and production technology imported from Finland. The mill is expected to have a significant cost competitive advantage over other producers in China due to the Company's ability to access low cost fibre and close proximity of the mill to the market place.

On February 9, 2001, Sino-Forest announced that two of its wholly-owned subsidiaries have entered into long-term facilities totalling $25 million with the International Finance Corporation ("IFC"), part of the World Bank Group. The IFC loans are subject to matching loans from other lenders, as a result of which a total of $50 million will be available to these subsidiaries. The loans will be used to fund new facilities for the manufacture of laminated particleboard, block board, finger joint board, doors and cabinets for use in China's interior decoration and furniture manufacturing industries. The continuing development of the wood-based panel operations will allow the Company to diversify its products and to expand into other high growth wood product markets in China. These new facilities are expected to be completed in 2002.

BUSINESS OF THE COMPANY

PLANTATION OPERATIONS

Products

The Company is principally engaged in growing hardwood (eucalyptus and aspen) and softwood (pine) trees on the Company's Joint Venture plantations in southern PRC. Wood chips and logs, the principal products of the Company, are produced from these trees when harvested. Wood fibre from these wood chips and logs is the major raw material used for global paper and board production. Currently, most paper and paperboard in the PRC is made out of non-wood fibre. According to industry sources, wood fibre currently makes up only less than 20% of the fibre mix with non-wood pulps and recovered paper contributing more than 80%. Wood chips are also used as feedstock for oriented strand board and medium-density fibreboard.

Currently, other than producing wood chips and logs from the Company's Joint Ventures' eucalyptus trees, the Company also acts as sales agent for wood chips from its Guangxi CJV PRC partner to meet customers' demands. As more of the plantation lands are phased-in by the CJVs, the Company expects to be able to produce sufficient wood chips and logs to meet demand without having to purchase chips or logs from its partners in the Company's Joint Ventures, thus providing the Company with a higher profit margin.

In management's experience, the specifications and characteristics of the different kinds of tree species currently expected to be grown on the 603,000 hectares of plantation lands available to be phased-in by the Company's Joint Ventures, as well as the anticipated costs of the plantation program to be incurred by the Company over the plantation cycle, are as follows:

Species	**Eucalyptus**	**Aspen**	**China Southern Pine**
Plantation cycle	5 years	5 years	12 years
Cost of plantation program (U.S.$ per hectare)	767	1,005	704
Standing timber yield per hectare per cycle	90 m^3	128 m^3	135 m^3
Annual growth rate per year	18 m^3	25.6 m^3	11.25 m^3
Wood chip yield per hectare per cycle	40.2 BDMT	42 BDMT	52 BDMT

Sales and Marketing

The Company's wood chips and logs are sold domestically in the PRC and are also sold to export markets, principally in Japan and Taiwan. Export sales are all made in U.S. dollars. Wood chip and log shipments for the years ended December 31, 2000, 1999 and 1998 are provided below:

	December 31		
	2000	**1999**	**1998**
Market	(in thousands of BDMT)		
Export	123	123	246
PRC	2,078	1,922	1,358
Total	**2,201**	**2,045**	**1,604**

The Company sets prices for its products without government control and adjusts its prices in response to market conditions. Management believes that its eucalyptus wood chips and logs are sold at prices competitive with those major suppliers with which it competes. The price of eucalyptus wood chips in Asia is generally determined by the Australian export price because Australia is one of the world's largest suppliers of natural forest eucalyptus wood chips. Prices for hardwood chips and softwood chips in Asia also vary based on the country to which they are sold. It is the Company's experience that prices obtained in Japan are greater than those obtained in Taiwan. Management believes that selling prices obtained in the PRC market have generally been more favourable than those in the export market as a result of the rising demand for fibre due to population growth, increasing literacy rates and the conversion of non-wood pulp to traditional wood pulp in China. The average selling price of wood chips, net of value-added taxes, and transportation and delivery charges, sold by the Company as principal for the year ended December 31, 2000 was U.S.$78 per BDMT compared to U.S.$95 per BDMT, which included $16 per BDMT for transportation and delivery charges, attained in fiscal 1999. Commission income from wood chips sold by the Company's Guangxi CJV joint venture partner with the Company acting as a sales agent for the year ended December 31, 2000 was U.S$14.49 per BDMT compared to U.S.$14.56 per BDMT in 1999.

The Company typically enters into arrangements with terms of 6-12 months pursuant to which the Company is required to provide, and the purchaser is required to purchase, specified amounts of wood chips. Under the arrangements, letters of credit are generally required to be posted for payment. Due to the importance of delivering wood chips within a certain time after timber is chipped, so that they maintain their relative freshness, the Company typically maintains about one week's worth of inventory at the CJVs and port locations at any time. The Company negotiates its selling prices for the export market twice a year due to exchange rate fluctuations and current local market rates. Selling prices for the PRC market are usually also determined on a contractual basis twice a year.

Marketing of wood chips and logs produced by the CJVs is administered by the Company's sales force based in the PRC and Hong Kong. Management believes that demand for wood chips and logs in the PRC has historically exceeded, and continues to exceed, production capacity. This has allowed the Company to obtain a higher price on its product in the local market compared to export sales. Sales in the PRC are made to local pulp and paper manufacturers through its CJV partners and by direct customer sales. The Company has not encountered serious competitive pressure within the PRC, where the demand for wood chips and logs exceeds the supply.

In 2000, the Company entered into a new sales arrangement with its principal sale customers whereby transportation and delivery charges were to be arranged and borne by the customers. As a result of this new arrangement, the selling price of wood chips in 2000 was reduced to approximately U.S.$78 per BDMT from the average net selling price in 1999 of U.S.$95 per BDMT, which included approximately $16 per BDMT for transportation and delivery charges. Shipments made on a principal basis in the PRC in 2000 were 966,000 BDMT. Although revenue recorded by the Company in 2000 on principal sales was lower by approximately U.S.$16.0 million due to the customers arranging for its own transportation and delivery, earnings on principal sales were not affected as the cost of sales would have been reduced by a similar amount.

Export shipments represent approximately 6% of total shipments for the year ended December 31, 2000. Wood chip exports continued to be weak due to the slow economic recovery in Japan.

Chipping Facilities

The Company has made arrangements with the chipping plant facility operators to secure chipping capacity for its production. The Company will contract the operators for processing services to meet all of its chipping capacity requirements.

Fibre Supply and Process

The Company currently produces most of its wood chips and logs from standing timber purchased from the local forestry bureaus. As the trees planted by the CJVs on the CJV plantation lands mature and are harvested, 70% of the timber from these trees will be owned by the Company and will provide all the sustainable fibre base utilized by the Company to produce chips and logs.

As at December 31, 2000, the Company has phased-in approximately 177,000 hectares, or approximately 29% of the lands currently under contract. Under the CJV Agreements, the CJV PRC partners are required to contribute up to 603,000 hectares of tree plantation lands, subject to the Company's determination that such lands are acceptable. Once the Company determines that specified lands are acceptable and it takes control thereof for the purposes of its management and operations under the terms of the relevant CJV Agreement, such lands are considered to be "phased-in".

Standing Timber from the Local Forestry Bureaus

The Company believes that the eucalyptus, aspen and pine plantations anticipated to be phased-in by the CJVs will be comprised of (i) lands on which there are mature trees aged five years or more and which are ready for harvesting; (ii) lands on which there are trees which are between one to five years old; and (iii) bare land which is available for the planting of new trees.

To generate cash flow to fund ongoing planting and maintenance costs, it is the Company's strategy to phase-in plantation lands which, immediately prior to the phase-in, have mature trees ready for harvesting. The Company may then purchase the timber from these mature trees from the forestry bureaus at wholesale prices and sell the wood chips or logs produced from the trees at a profit to customers in the PRC or in the export market. After the harvesting of these mature trees planted by the forestry bureaus, the bare lands are then phased-in to the CJVs. It is only after an existing crop has been harvested that bare lands may be phased-in to the CJV. Under the arrangements relating to the existing CJVs, the trees replanted on the phased-in plantation lands are then owned and managed by the CJVs, with 70% of the resulting harvested trees ultimately being owned by the Company and 30% being owned by the Company's Joint Venture PRC partner. When the

Company takes possession of its share of the harvested trees, it is able to sell the resulting wood chips or logs in either the domestic or export market.

Location and Hectarage of Plantation Lands

The total hectarage of plantation lands of the Company's CJVs as at December 31, 2000 are set out in the table below:

Names of Joint Ventures	Name of Joint Venture Partners	Province	Term	Hectares
Guangxi Guijia Forestry Company Ltd.	Guangxi Forestry Development Centre	Guangxi	50 years	250,000
Jiangxi Jiachang Forestry Development Company Ltd.	Jiangxi Forestry Economic & Technology Development Co.	Jiangxi	50 years	250,000
Gaoyao City Jiayao Forestry Development Ltd.	Gaoyao City Forestry Trading Development Co.	Guangdong	50 years	33,000
Guangdong Huazhou Jiazhou Forestry Development Co. Ltd.	Guangdong Huazhou Forestry Enterprise Co.	Guangdong	50 years	20,000
Heyuan City Jianhe Forestry Development Ltd.	Heyuan City Forestry Services Ltd.	Guangdong	50 years	50,000
			Total	**603,000**

All of the forestry joint ventures of the Company are CJVs in respect of which the Company is entitled to a 70% share in the volume of timber the Company determines to cut.

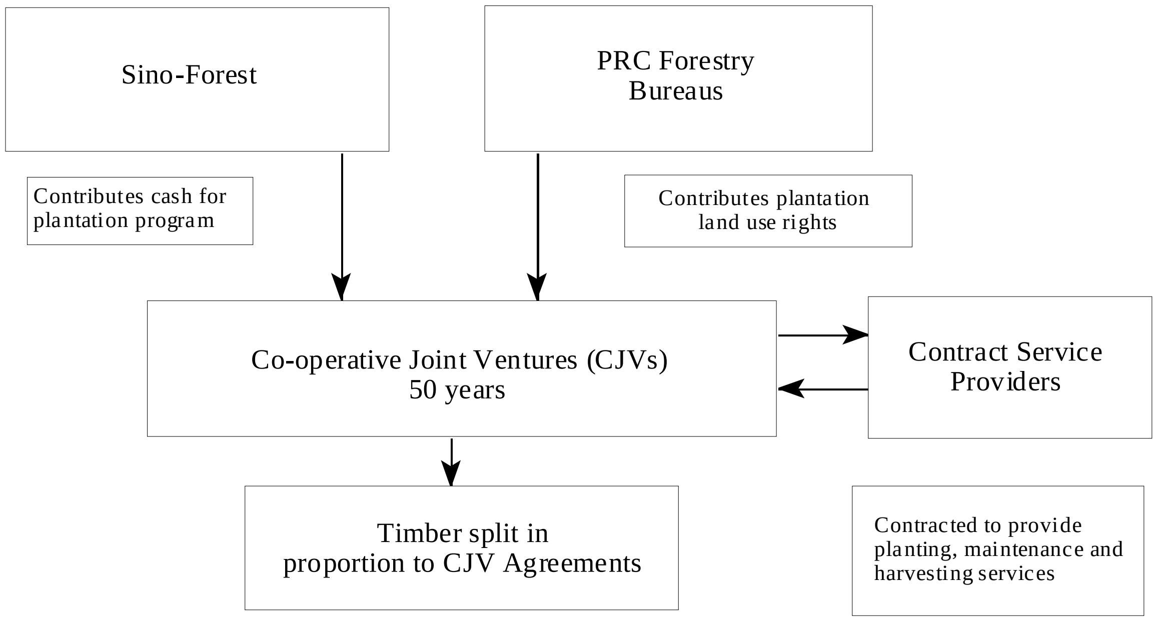
Hectarage of Plantation Lands Phased-in

The total hectarage of plantation lands phased-in including plantation lands from young trees purchased in each of the provinces are as follows:

Province	1994	1995	1996	1997	1998	1999	2000	Total
GUANGXI	-	-	13,800	16,524	14,613	24,071	3,798	72,806
Jiangxi	-	-	2,200	2,140	11,398	15,786	18,377	49,901
Guangdong	20,000	-	987	5,344	13,002	9,107	5,975	54,415
	20,000	**-**	**16,987**	**24,008**	**39,013**	**48,964**	**28,150**	**177,122**

Structure of the CJVs

The following chart illustrates the structure of the Company's CJVs:



The term of each CJV is 50 years, subject to extension upon a proposal by the unanimous consent of the board of directors of the CJV and approval of the original examining authority. The CJV may also be terminated under certain circumstances, such as the occurrence of heavy losses in production and the CJV being unable to continue its operations, the failure of a party to perform its obligations such that the CJV is unable to continue its operations, and the CJV conducting its business in violation of the laws of China and the relevant authorities terminating its operations. Upon termination, all land use rights will cease and the CJV shall be liquidated and the remaining assets after liquidation of the CJV shall be distributed to the parties in accordance with their product-sharing ratio subject to the payment of taxation, salaries of staff or other debts.

The CJV PRC partner is required to contribute plantation land use rights to the CJV and the Company is required to contribute cash for the plantation program.

The CJV PRC partner's responsibilities include the following:

(a) providing suitable plantation lands to the CJV on a timely basis and in the quantity as stipulated in the CJV Agreement, handling procedures for obtaining the plantation land use rights for the CJV and handling all disputes in connection with lands;

(b) dealing with the relevant authorities in China for the establishment and licensing of the CJV;

(c) obtaining the harvesting license, timber transportation permit and other certificates required by laws and regulations for the CJV;

(d) procuring for the CJV the necessary infrastructure such as water, electricity and transportation; and

(e) assisting in the recruitment of local operation and management personnel, technical personnel and other personnel as required.

The Company's responsibilities include the following:

(a) providing capital and funding contributions by instalments based on the progressive needs of the plantation and ensuring that the plantation base is developed as planned;

(b) providing international operation and management techniques, production technology, quality standards and a system of quality inspection;

(c) assigning personnel to the plantation base to carry out standard inspections on operations and management and training of technical personnel; and

(d) providing international market information and technical information to the CJV.

It is a general policy of the PRC that a person who harvests or otherwise cuts down trees is required to replant on the harvested plantation lands to maintain the ecological equilibrium.

Competition

The markets for wood chips and logs are competitive and are sensitive to cyclical changes in pulp production levels and in the economy. Changes in the level of competition, government regulations on timber harvesting, industry capacity and the economy could have a significant impact on the Company's selling prices and overall profitability. The Company competes with Australian and North and South American wood chip producers selling hardwood chips in the East Asian market. Management believes that the Company has an advantage over its competitors selling in the East Asian market because of its close proximity to its principal export marketplace, being Japan and Taiwan. The Company is able to produce eucalyptus wood chips and logs at a lower delivered cost due to lower shipping charges and labour costs.

The Company also competes on a smaller scale in the domestic PRC market with local producers, including its PRC partners. The Company believes that its status as a foreign-owned joint venture provides it with the flexibility to sell its products in other PRC provinces since it is not subject to local government preferences for local firms to sell their products locally. The Company also believes that it is in a better position to compete with many of its local competitors in terms of access to foreign investment capital for expansion, production, distribution networks, level of technological development and recruitment of additional experienced management. The Company's Joint Venture plantations, which management believes are strategically located close to deep water ports and transportation infrastructure, also provide the Company with an added advantage in ensuring reliable timely supply of wood chips and logs to its customers in the PRC. Management believes that the Company is the first, and continues to be the only, foreign-owned producer and exporter of wood chips and logs in the PRC practising sustainable forestry management.

Plant Biotechnology

The merger of traditional forestry business and modern biotechnology

Substantial new opportunities offering increased profits, improved market competitiveness and solutions to major environmental problems may be captured through the merger of the traditional business of forestry with the application of biotechnology.

Biotechnology is a very broad term encompassing a range of technologies, some of which are very simple with direct practical applications while others are at the cutting edge of science. The combined application of these new technologies and their sensible integration into conventional forest management practices has the potential to open new opportunities and add substantial value.

Genetic Improvement

Genetic mapping is a technique that allows genes controlling commercially important characteristics, such as growth rate, wood quality or drought tolerance, to be identified and controlled. In much the same way that a street map directs a traveller to a particular location, genetic mapping identifies the address of important genes, and plots their location. With this information, tree breeders can then apply Marker Assisted Selection to combine desirable genes or characteristics from different parents and to produce designer trees for particular environmental or product requirements much more quickly and with greater efficiency than can be achieved by conventional breeding practices.

The Company is developing a program of genetic mapping and marker assisted selection to add substantial value to its forest plantation program in appropriate combination with conventional practices and other biotechnologies.

Genetic Engineering

Where adequate natural variation within a tree species does not exist or provide a particular characteristic, genetic engineering offers the ability to introduce the characteristic from another species. While genetic engineering is new to forestry species, it is already being employed in agricultural species to increase the insect resistance of cotton, delay ripening of tomatoes and increase the protein content of soybean. The Company is exploring potential genetic engineering applications in forestry such as increasing the level of tolerance to environmental stresses, particularly drought and salinity.

Propagation

Improvements through genetic mapping or genetic engineering produce discreet, individual plants. These improvements must be able to be delivered to the field in order for the benefit to be realized. The improved characteristics of an individual would be lost if they were propagated by seed. Vegetative propagation does not inherently improve a plant in its own right, but provides the means to multiply a single elite plant many millions of times so that it can be used for wide scale plantation establishment.

Three major propagation technologies that have application in forestry are micro-cuttings, tissue culture and somatic embryogenesis. The Company is using micro-cutting techniques to rapidly multiply a single, genetically improved plant to provide millions of robust plants for plantation establishment in a relatively short time period and at competitive costs.

Designer trees for solid wood products

One of the most significant opportunities emerging in the forestry industry in China is the use of eucalyptus timber for production of high value, solid wood products such as lumber, and veneers for plywood. From a global perspective, solid wood products represent one of the fastest growing segments of the wood trade market. The rising demand for these products is linked to the reduced availability and acceptability of logs from tropical native forests (a traditional source of supply of logs used for solid wood products), the growing demand for timber produced from sustainably managed plantations and increased wealth and an associated preference for quality timber products.

While eucalyptus has been one of the major hardwood plantation species groups for many decades, the majority of these plantations have been used for production of woodchips for paper production. eucalyptus timber is inherently suitable for many solid wood applications; however, its use has been restricted due to problems with splitting after felling, making recovery of solid timber difficult. Here, biotechnology offers the ability to more rapidly breed new timber varieties with reduced end-splitting properties and to propagate these improved varieties for the establishment of new forests of designer trees for production of solid timber products. This is a new application for eucalyptus forests and the Company has a major opportunity to lead the development of trees for solid wood production. In embracing this opportunity, the potential exists to capture a substantial proportion of the emerging market for solid wood products and to increase profits through conversion of timber to higher value applications.

Increased productivity from existing and new plantations

In conventional forest plantations, biotechnology offers the opportunity to increase plantation yields, improve the quality of timber and produce more uniform trees. In short, biotechnology may enable the production of larger size trees with better wood more quickly and more consistently. By growing more timber per hectare, the cost of production is reduced and profit increased. Also, less land is required to produce a given volume of timber which may allow sufficient timber supplies to be grown nearer to the mill, thus reducing the cost of log transport which represents a significant proportion of the cost of timber.

More uniform plantations increase the efficiency of harvesting and reduce waste produced through sawing and peeling. In addition, improved quality will also increase attractiveness of the timber in the market. Together, these improvements provide the Company with the basis for increased profits, improved market competitiveness and better use of resources. The Company’s plantations have already demonstrated increase in productivity. Continued application of the biotechnology program is expected to result in further gain in productivity in the future.

Plantation Service Company

The Company's CJV plantation companies have each entered into Plantation Service Contracts with the Service Companies. The term of each Plantation Service Contract is 12 years (or no less than two plantation cycles), and six months prior to the expiration of such term, the CJV will renew the Plantation Service Contract for a term of no less than 12 years or two circulation periods based upon the previous performance of services provided by the Service Company. The Plantation Service Contract is based on a "cost-plus" arrangement which provides the Service Companies with a profit of 10%. All costs, fees and expenses are required to be submitted to the board of directors of the CJV for approval before payment. The services to be provided by the Service Companies include overall design for plantation, construction design, preparation for ploughing, levelling of land, growth of seedlings, fertilization pesticides, planting of trees and replanting, cultivation, management and preservation and procedures such as examination, inspection and acceptance.

The Plantation Service Contract specifies the targeted timber output (harvest rate) in each planting cycle that must be produced by the Service Company. The target is established by the board of directors of the CJV with the agreement of the Service Company. If the target is exceeded, the Service Company receives 30% of the excess portion of timber output. But, if the target is not achieved, the Service Company must compensate the CJV in an amount equivalent to 30% of the deficient portion of timber output.

PARTICLEBOARD BUSINESS

Products

Particleboard is made from wood particles and residues bonded together with synthetic resin. Laminated particleboard is an upgraded board covered with an overlay of wood veneer or synthetic materials such as melamine. The most common thicknesses for particleboard are 16 and 25 mm.

Laminated particleboard is expected to be the principal product for Sino-Panel. Although the Gaoyao Mill's production capacity is rated at 100,000 m^3/annum, the Gaoyao Mill is conservatively expected to produce 95,000 m^3/annum of particleboard when it reaches full operating capacity. Wood veneer and melamine will be primary overlays for the Gaoyao Mill's particleboard. The wood veneer overlay product is to be used for doors and furniture while the melamine overlay product is targeted primarily for furniture of end uses.

Approximately 20% of Sino-Panel's particleboard production is expected to be used for its own production of furniture and doors. The remainder of Sino-Panel's products will be sold to outside customers either through its sales distribution network or as part of its contract supply business.

Location

The Gaoyao Mill will be located in the Gaoyao Economic Development Zone in Gaoyao City, Guangdong Province, approximately 120 kilometres from the City of Guangzhou, which is the capital of Guangdong Province. The proposed site will occupy approximately 21 hectares and be part of an industrial subdivision in which services for power, water and storm water/effluent are available. Guangdong Province is a major region for furniture manufacturing in China. The Gaoyao site has direct access by road and river to Guangzhou and the surrounding region where a large number of furniture manufacturers are located. In addition, the location is close to a port facility on the Pearl River for the shipment of products to both national and international destinations. The site provides ample room for future expansion.

Competition

Management believes that domestic and foreign competition will not pose any significant threats to Sino-Panel's particleboard operations since demand for particleboard is expected to continue to grow domestically. Imported particleboard accounts for less than 1% of total consumption in China and management believes that high transportation cost and import duties will continue to discourage the import of foreign particleboard products.

The Gaoyao Mill is located within the major furniture manufacturing region of China, where furniture is produced for the domestic and export markets. The Gaoyao Mill will introduce international lamination technology. With its advanced particleboard equipment, management believes that the Gaoyao Mill will be able to produce laminated particleboard with quality comparable to imported products. To the knowledge of management, there are only two particleboard mills in China with annual capacity of over 50,000 m^3 (one with an annual capacity of 100,000 m^3 and the other with an annual capacity of 80,000 m^3) and only 15 particleboard plants in China with annual capacity of approximately 50,000 m^3. Of these 17 plants, 13 are located in Northeastern China, including a 100,000 m^3/annum particleboard mill in Heilongjiang Province. Management believes that these plants will not be able to compete directly in the Gaoyao Mill's market, primarily due to their lack of proximity to the Southern China market.

Particleboard mills in Guangdong Province account for approximately 13% of total Chinese production. The Gaoyao Mill will have advantages over competing producers of particleboard in southern China because they are generally small and most use older technology and non-wood fibre, thereby producing low quality particleboard products which are unable to meet the increasingly stringent quality standards of high quality furniture manufacturers. Due to its expected international standards of production and lamination capability, management anticipates that the Gaoyao Mill will be able to provide a broad range of higher quality product and service compared to its local competitors. In addition, the Gaoyao Mill is expected to be able to provide customers with reliable and consistent supply due to its location, scale and high operation efficiency. Management believes that the Gaoyao Mill will be capable of successfully replacing imported particleboard as it will be able to offer comparable particleboard at lower prices.

Management also believes that Sino-Panel is in a good position to compete with mills in the Asia-Pacific Region due to its closer proximity to customers, the anticipated availability of skilled labour and lower labour costs in China. Also, the Gaoyao Mill is expected to have a reliable long-term supply of quality wood as a result of its relationship with the Company.

Sales and Marketing

Management believes there to be a shortage of laminated particleboard in the PRC. Sino-Panel expects that its high quality laminated particleboard will be in demand by furniture manufacturers and that high quality furniture producers will be Sino-Panel's primary particleboard customers. Sino-Panel's strategy is to develop production of laminated panels to ensure that its products will be able to sell in the high end of the market. Sino-Panel's products will also be positioned as a lower cost substitute for imported particleboard and for plywood in the production of high-end furniture.

Management does not expect that its planned investment in laminated particleboard production will have an adverse effect on the domestic price of such products since domestic demand will continue to increase at a significantly greater rate than domestic supply. In fact, according to Jaakko Pöyry Consulting (Asia-Pacific) Pte Ltd., growth of particleboard consumption in China has been restricted by the limited availability of domestic production.

Sino-Panel intends to sell its products from the Gaoyao Mill primarily in Guangdong Province, which presently consumes approximately one million cubic metres of particleboard. The potential customers for the Gaoyao Mill's particleboard products will be major furniture manufacturers in the Pearl River Delta Region, which are generally within a two hour driving distance of the mill. Sino-Panel's discussions with selected furniture manufacturers in the region have indicated a strong interest in the Gaoyao Mill's laminated particleboard products. These furniture manufacturers currently use a combination of high cost imported particleboard and locally-made low quality particleboard. With the advantage of being close to its customers, Sino-Panel will be able to provide customers with full technical services and just-in-time delivery to help its customers better manage their production planning and inventory. To ensure a high market penetration, Sino-Panel intends to establish long-term supply relationships with major customers in the targeted markets and become its customers' supplier of choice.

Sino-Panel may consider forming strategic alliances to jointly develop particleboard applications with its customers in the future. As part of its strategy to focus on value-added development, Sino-Panel also plans to explore manufacturing opportunities of high-valued products with its customers.

The Gaoyao Mill intends to tailor its furniture production to provide furniture components and semi-finished products to major furniture manufacturers which focus on furniture design, assembly and distribution. The Gaoyao Mill intends to be a key supplier to large furniture producers of both raw particleboard and semi-finished furniture to its furniture producing customers.

Raw Materials

The principal raw materials used in the production of particleboard are wood (specifically derivatives such as pulpwood and sawdust) and resins. For particleboard which is to be laminated, supplies of wood veneer and melamine overlays are also required. Pulpwood grade fibre is sufficient for the production of particleboard in terms of size and physical properties. Large sizes of wood are not required for particleboard production. The strength of particleboard will be mainly affected by the densities of board which, in turn, will be dependent upon the concentration of wood chips used in the particleboard.

The main wood species for the Gaoyao Mill are expected to be eucalyptus and pine, a combination of which is suitable for making high quality particleboard. Eucalyptus is a fast growing and high yielding hardwood species. It represents low cost and sustainable fibre, due to its relatively short growing span and being more abundant than other hardwood species. Eucalyptus plantations are located mainly in southern China because the warm climate in the region is well suited for eucalyptus growth. Pine is a softwood species and takes longer to grow. Masson pine and slash pine are the most common pine species in southern China.

The production of one m^3 of particleboard requires approximately 1.4 m^3 of pulpwood when using eucalyptus and pine. The composition of wood species for the Gaoyao Mill is initially expected to be 50% eucalyptus and 50% pine. Based on this assumed composition of wood species, the Gaoyao Mill will require approximately 133,000 m^3 of wood per year to produce 95,000 m^3 of particleboard, which translates into land requirements of 6,200 hectares for eucalyptus and 11,800 hectares for pine, on a sustainable basis.

Under its existing CJV agreements in Guangdong Province, the Company will have, when fully phased-in, 33,000 hectares of plantation lands in Gaoyao City which would be adequate to support the Gaoyao Mill's operations. The phasing-in program for the Gaoyao plantation is expected to be designed to ensure sufficient wood supply to the Gaoyao Mill operation. When the Company's plantations in the PRC are fully phased-in, management believes that less than 5% of the Company's production of wood chips would be required to satisfy the Gaoyao Mill's initial requirements.

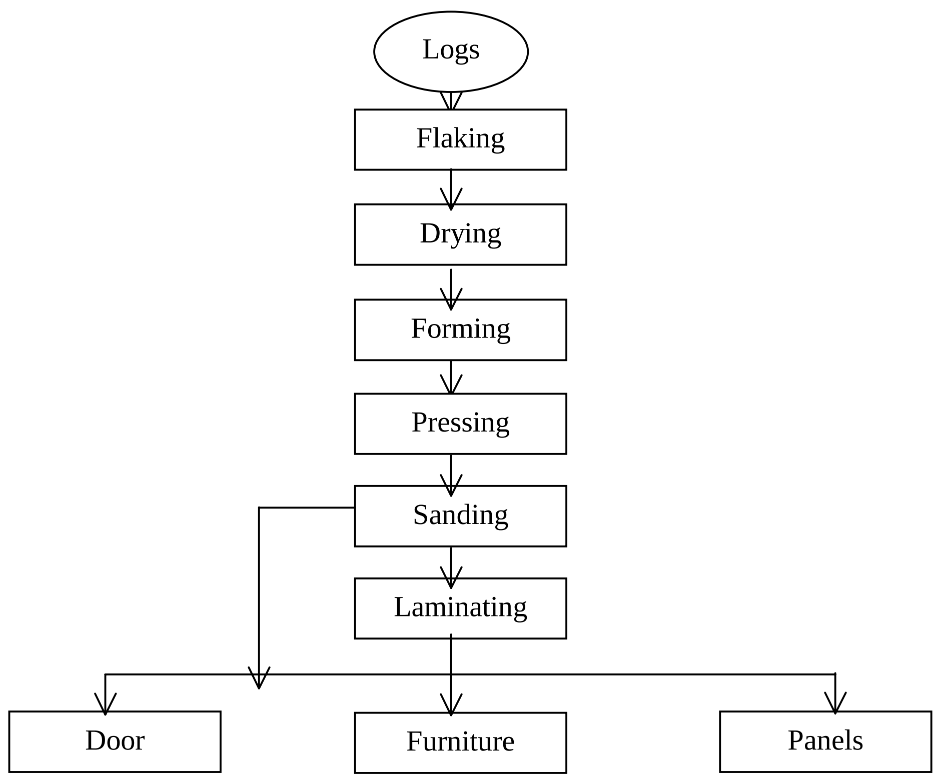
Sino-Panel expects to initially acquire its supply of wood for the Gaoyao Mill from the Company's wholesale supply of wood which the Company obtains from the local forestry bureaus with which the Company has its CJVs. These fibre requirements will be provided mainly from the standing trees on the land which are under contract to be phased-in by the CJV. The Company typically acts as a principal sales agent or distributor for the logs harvested from the lands that will ultimately be phased-in to the CJV.

Management also believes that there is an adequate supply of resin and of wood veneer and melamine overlay in the PRC for its anticipated needs and that it will be able to readily obtain necessary supplies in the vicinity of the Gaoyao Mill. Sino-Panel intends to purchase veneer both locally and internationally and use The Company's expertise in sourcing imported veneer to ensure a reliable, adequate supply thereof. Management also believes that there will be an adequate supply of utilities including power and water in Guangdong Province.

Production Process

The following chart shows the major steps in the manufacture of particleboard and laminated particleboard. Particleboard is used as a raw material for the production of furniture and doors.

Particleboard/Laminated Particleboard Production Flow Chart



For the production of particleboard, wood chips or a combination of wood chips and residues are used as raw materials. These materials are first reduced to small-size particles through flaking, then dried to reduce moisture content from approximately 100% in wet wood to 2%. The dried particles are mixed with resins and distributed into a fibre mattress during the forming process. During the pressing process, the formed mattress is heated and pressed into a panel. The cooled panel is then sanded to create a smooth surface and cut into required sizes. The board can be upgraded to a laminated particleboard through the laminating process which glues a wood veneer or an overlay on the board.

Facilities

The Gaoyao Mill is expected to have an initial annual production capacity rated at 100,000 m^3 (19 mm thickness, 300 days of production per annum) of particleboard. The expected average production at the Gaoyao Mill is 40,000 m^3 in 2001, 70,000 m^3 in 2002 and 95,000m^3/annum thereafter. The Joensuu Line from Finland, which was reassembled at the Gaoyao Mill, is a 1,250 mm (4ft.) wide and 5,550 mm (18ft.) long, 24-opening multi-daylight line which began operations in 1971 and was shut down in October 1990 as part of what Sino-Panel understands to have been a rationalization program by Schauman Wood Oy, a Finnish company due to poor market conditions. An independent assessment of the Joensuu Mill was commissioned by Schauman and was carried out by VTT Building Technology of the Technical Research Centre of Finland ("VTT") in 1993, 1995 and 1997. Its conclusion was that this mill machine could continue to manufacture particleboard for at least another 15-20 years with approximately preventative maintenance and adequate replacement investments.

The overlay plant expected to be built in the Gaoyao Mill will consist of two laminating lines imported from Europe. The first line, 4,920 mm (16 ft.) x 1,230 mm (4 ft.) with capacity of 60,000 m^3/annum, is capable of pressing either wood veneer or high pressure laminates. The second line, 2,640 mm (8 ft.) x 1,230 mm (4 ft.) with capacity of 20,000 m^3/annum, is for melamine overlay. Both lines should be capable of performing high quality lamination.

REGULATORY STRUCTURE AND OWNERSHIP

Co-operative Joint Ventures

The CJV Law is the primary PRC legislation governing CJVs. CJVs may take two separate forms. The first type does not involve the creation of an entity with legal person status which is separate and distinct from the joint venture parties. All of the Company's CJVs are of the second type which combines certain characteristics of the true CJV with those of the EJV. In this type of CJV, a separate business entity is created having legal person status, with the joint venture parties' liability limited to their investment contributions.

The CJV Law contemplates parties to a CJV contributing investment or providing "terms of co-operation". Either may take the form of cash, industrial property rights, proprietary technology, land use rights or other property rights.

The CJV Law permits the parties to a CJV to distribute joint venture revenues through distribution of profits, distribution of products or other means agreed to between them. In CJVs, profit distribution is entirely based on the provisions of the joint venture contract and is not necessarily proportional to the value of the contributions of the parties.

CJVs with legal person status are terminated and wound up in much the same manner as EJVs, except that specific rules set out in the joint venture contract, rather than the parties' capital contributions, determine the distribution of liquidation proceeds.

Wholly Foreign-Owned Enterprise

The WFOE is organized under the laws of the PRC as a wholly foreign-owned enterprise and is a "legal person" with limited liability. As with all wholly foreign-owned enterprises, the WFOE is subject to an extensive amount of statutory law relating to matters such as establishment and formation, distribution, taxation, accounting, foreign exchange and labour management.

The operations of the WFOE are governed by the Foreign-Invested Enterprise Law and the Articles of Association of the WFOE. The term of the WFOE of the Company is dependent on the formation of each of the WFOEs, from a period of 30 years to 50 years. Each of the WFOEs is governed by its own board of directors. The day-to-day management of the WFOE is the responsibility of the General Manager, who is appointed by the board of directors.

The WFOE Law provides that WFOE shall annually provide for a reserve fund, enterprise development fund and employee welfare and incentive fund, such provision to be determined by the board of directors having regard to the economic situation of the WFOE. No amounts for these funds have been provided by any of the WFOEs of the Company since their inception. After provision for such funds, taxation and losses in prior years, the profits of the WFOE will be available for distribution to the Company, such distributions to be authorized by the board of directors.

Under the WFOE Law, the existence of the WFOE may be terminated in certain circumstances including expiration of the WFOE, inability to continue operations due to severe losses, failure to meet deadlines for capital contributions in such a manner as to impair the operations of the WFOE and force majeure. The Articles of Association provides that on liquidation in accordance with the WFOE Law, the net assets of the WFOE (after payment of creditors and taxes) realized on the sale of the assets will be distributed to the Company.

Income Tax for CJVs and WFOEs

A CJV or a WFOE with legal person status will be liable for PRC enterprise income tax under the Income Tax Law. Under the Income Tax Law, a CJV or WFOE, is subject to a national tax imposed at the rate of 30% on its net income. In addition, a local income tax of 3% of taxable income is levied by the local government, resulting in an effective tax rate of 33%. The Company's CJVs and WFOEs are eligible for a total exemption from taxation for two years beginning with the first profit-making year of the CJVs and WFOEs and a 50% reduction during the subsequent three years (such time periods during which taxes are exempt or reduced being referred to herein as "tax holidays"). Subject to the approval of the relevant authorities, joint ventures categorized as forestry projects may be allowed a 15% to 30% reduction of the amount of income tax payable for a further period of ten years after tax holidays.

ENVIRONMENTAL LAWS

The Company's operations are regulated by a wide array of environmental laws and regulations in the PRC. Operations general manager and senior management personnel at each plantation and mill have been assigned responsibility for monitoring compliance with environmental rules and regulations. They are also required to adhere to the Company's own environmental operating procedures and guidelines. The Company has established an environmental management system, recognizing that the continuing profitability and prosperity of its employees and the community in which it operates is dependent on long-term environmental health sustained by sound economic development.

EMPLOYEES

As of March 31, 2001, the Company employed 604 people who are categorized by function as follows:

Function	Number of Employees
Executives and senior management	4
Regional offices executives and employees	29
Mills management, engineers and technical staff	118
CJVs plantation management and staff	79
Sales, marketing and administration	33
Junior staff and workers	341
Total	**604**

It is the Company's strategy to maintain a small group of high quality and professional personnel who will direct, manage, control and ensure that the Company's business is properly carried out by its PRC contractors and sub-contractors. The operations of the Company are divided into three levels: the executive offices in Hong Kong and Toronto; regional offices in each of the PRC provinces where the Company operates; and the PRC CJV companies. Management of the Company resides in Hong Kong and Toronto and travels frequently within the PRC. Certain senior management of the Company spend more than 70% of their time in the PRC visiting all the Company's plantations on a rotational basis and meet regularly with the relevant officers of the various PRC forestry bureaus. The Chief Executive Officer of the Company is the Chairman of the Board for most of the CJVs. Management members of the Company are either directors, general managers or executives to the regional offices of the CJVs and are involved in the running of all joint venture entities in the PRC. The regional offices are staffed with three to four direct employees. These employees are forestry professionals and have strong financial control and management skills. The CJVs' work force is provided by the CJV PRC partner as agreed under the CJV Agreements and the Plantation Service Contracts. They are mainly contracted workers who are hired on an "as needed" basis. These workers are assigned to the operations of the plantations, transportation of logs and wood chips, and the operations of the chipping plants.

CAPITAL CONTRIBUTION COMMITMENTS

In accordance with the contractual obligations set out in the various Joint Venture agreements and memoranda as modified with the agreement of its Joint Venture partners, the Company is required to make capital contribution as described below.

Sino-Wood's subsidiaries are committed to contribute an aggregate of $14,200,000 of capital to the five existing CJVs which was subsequently increased to $17,650,000 upon approval by the CFTEC in 1999. As at December 31, 2000, total contribution of $16,025,000 had been made. Accordingly, the remaining capital contribution outstanding as at December 31, 2000 is $1,625,000. In 1999, the Company decided not to proceed with its investment in one of the CJVs. The Company is in the process of dissolving this CJV and, accordingly, the required capital contribution of $1,375,000 has not been made.

In 1999, a subsidiary of the Company established a wholly foreign-owned enterprise ("WFOE") to facilitate the establishment of the wood-based manufacturing business in the Greater Shanghai Region. The WFOE is formed for a period of 30 years and the subsidiary is required to contribute $10.0 million for its 100% equity interest. As at December 31, 2000, the Company has made total capital contributions of $3.0 million. The remaining capital contribution of $7.0 million is required to be made by July 2002.

In 1999, Leizhou EJV, which became a wholly-owned subsidiary of Sino-Wood as a result of the Leizhou Forestry Bureau's (the "LFB") voluntary withdrawal of its entire equity interest in Leizhou EJV, was converted to a WFOE. The conversion to a WFOE from the EJV status was approved by the CFTEC in May 1999. Sino-Wood is required to contribute $10.0 million for its 100% equity interest, of which $1.5 million is required to be made within three months from the issue of the business licence. Sino-Wood obtained approval to reduce the original total capital contribution of $10.0 million to $1.4 million in April 2000. As at December 31, 2000, Sino-Wood has made capital contribution of $1.0 million. The remaining capital contribution of $0.4 million has to be contributed by May 2002.

The Company believes that the cash in hand at December 31, 2000, the funding to be provided by the IFC and the cash flow to be generated from operations will provide the Company with adequate cash resources to meet its capital contribution commitments, to fund its growth strategy and to accelerate the planned phase-in of the remainder of the 603,000 hectares of tree plantation lands.

RISK FACTORS

Political and Economic Considerations

The value of the Company's investment in its joint ventures may be adversely affected by significant political, economic and social uncertainties in the PRC. The PRC is a developing country and shares with other developing countries the characteristic of having a socio-political system that is prone to sudden and, in the view of outsiders, unpredictable events and evolvement. The policy for economic reform in the PRC to change its economic system from a centrally-planned economy to a market-oriented economy with Chinese characteristics has been in place since 1979 and has been reaffirmed many times by the NPC, the politburo of the Communist party of the PRC, and the State Council. Though not without setbacks and hiatus, economic reform has had far reaching effects on the economic system of the PRC and has resulted in sustaining high economic growth for some 16 years. Due to recent political policies adopted by the PRC, certain foreign governments in Southeast Asia, such as Japan, and in the United States, may adopt new policies with respect to trade with China. There is no guarantee that in the event of a major change of decision-makers at the most senior political level, the existing economic policy of the PRC will not be changed, or that the socio-political stability so crucial to the economic growth will not suffer.

The principal participants in the PRC's economy (which, in part, overlap) are State-Owned Enterprises, Collectively-Owned Enterprises, Privately-Owned Enterprises, joint-stock companies, including joint-stock companies that are subject to varying degrees of State ownership, and FIEs. State-Owned Enterprises continue to constitute the largest section of the economy.

The PRC's rapid economic growth has led to periodic cycles of high inflation. In order to control economic expansion and combat inflation, the Chinese government adopted measures to control prices, credit, expenditures and investment. At the same time, the Chinese government has moved to accelerate the reform of the monetary system, the financial system, taxation and public finance. The austerity program has caused bank credit to tighten and may have a dampening effect on the various expansion plans of the joint ventures.

The Chinese government has recently confirmed that the PRC's economic development will follow a model of market economy under socialism. Under this direction, it is expected that the PRC will continue to strengthen its economic and trading relationships with foreign countries and business development in the PRC will largely follow market forces and rules of economics.

Legal System and Enforcement

As the PRC's legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may adversely affect foreign investors. In circumstances where adequate laws exist, it may not be possible to obtain swift and equitable enforcement of the laws or any changes to the interpretation of laws.

The Company believes that its joint ventures in connection with its plantation business have obtained the governmental approvals necessary to permit them to conduct their business. If there is any administrative review, approval or action by various national, provincial or local agencies of the PRC government which causes a CJV serious damage, the PRC law permits redress to the court with respect to certain of these administrative actions.

Though Chinese law expressly protects the status and rights of Sino-foreign joint ventures and enterprises, the State reserves the right, in special circumstances, to terminate joint ventures and provide compensation therefor. There can be no assurance, however, that such compensation will be adequate or timely.

Environmental Considerations

The Environmental Protection Law of the PRC was adopted by the Standing Committee of NPC of the PRC on December 26, 1989. Under the Environmental Protection Law, the division in the State Council responsible for environmental protection has the power to set national environmental quality standards and environmental protection agencies of lower levels of government have power to set local standards to supplement the national standards in areas where the national standards are silent. Due to the very short history of the Environmental Protection Law, national and local environmental protection standards are still in the process of being formulated, experimented and implemented. It is a general policy of the PRC that a person who harvests or otherwise cuts down trees is required to replant on the harvested plantation lands to maintain the ecological equilibrium. The Company believes that there are no outstanding notices, orders or directives from central or local environmental protection agencies or local government authorities alleging any breach of national or local environmental quality standards by the Company's joint ventures, and the joint ventures have complied with all existing environmental protection laws, regulations, administrative orders and standards. Given the nature of their businesses, there is a possibility that the joint ventures will have to meet higher environmental quality standards as the economy of the PRC and its level of environmental consciousness increase in the coming years.

Failure to Make Capital Contribution

The CJV Law stipulates that the first instalment of the capital contribution by a joint venture party shall not be less than 15% of the portion of the registered capital subscribed to by the joint venture party and must be within three months of the issuance date of the business licence of the CJV. In the event of a breach of the statutory requirement, the CJV may automatically cease to exist and all prior approvals are automatically revoked.

Where joint venture parties have met their obligations on payment of the first instalment on capital contribution, the CJV Law provide that where a joint venture party fails to meet its subsequent obligation to make capital contribution three months after it becomes due, relevant government authorities shall issue a notice to the joint venture parties demanding that the capital contribution be made within one month. Failure to comply with the demand will give government authorities the right to revoke the business licence of the CJV and all prior approvals, thereby forcing the CJV into winding-up proceedings. The risk of governmental action in the event of the Company's inability to meet its contribution commitments is a significant risk. However, the delay of capital contribution under certain conditions can be negotiated among the parties and if the reasons for delay are rational and agreed upon by the parties, the contract can be revised and approval can be obtained from the relevant authority.

Competition

The markets for wood chips and wood products are competitive and are sensitive to cyclical changes in industry capacity and in the economy. Changes in the level of competition, government regulations on timber harvesting, industry capacity and the economy will have a significant impact on the Company's selling prices and overall profitability. With respect to the wood chip business, the Company competes with a large number of international forest products selling wood chips in the East Asia market. The Company also competes in the domestic market with local firms on a smaller scale, including its PRC partners. With respect to the wood products business, the Company will compete primarily in the domestic market with local firms, which generally have smaller capacity. It is expected that the Company will increase its revenue significantly in the domestic market over the next few years as wood chips and related forestry products in the PRC will continue to be in big demand as the country improves economically.

Fluctuations in Selling Price of Wood Chips and Wood Products

The operating results of the Company can be significantly affected by fluctuations in the selling price of wood chips and wood products. Wood chips produced by the Company are primarily supplied to pulp manufacturers in Japan, Taiwan and China. The pulp market industry is cyclical in nature. World pulp prices are affected by a number of factors including the world's economic growth rate and the demand for paper products. By locking in long term supply contracts with key customers and by differentiating its higher quality products and service from its Chinese competitors, the Company hopes to protect against temporary over-supply from, or lower prices of, other Chinese manufacturers of particleboard and other wood products.

Dependence on Key Personnel

The Company is currently dependent upon a small number of key management personnel. The loss of the services of certain key management personnel may adversely affect the performance of the Company.

Joint Venture Arrangements

Co-operation and agreement among the Company's joint venture partners are important factors for the operational and financial success of the joint ventures. In certain circumstances, the Company is not able or will not be able to control the decision making process of the joint ventures without the concurrence of the joint venture partners. The Company does or will, however, through contractual provisions and representatives appointed by it, have the ability to control most material decisions. Disputes among the partners over joint venture obligations or other matters, or the early termination or non-renewal of the joint venture agreements, could materially adversely affect the business of the Company. However, the Company has not to date experienced any significant disagreements with its partners.

Limited Operating History of the Wood Product Manufacturing Business

The Company's wood product business is in the early stages of development and has no operating history. The wood product manufacturing business is subject to all of the risks inherent in the establishment and maintenance of a new business enterprise, such as competition and viable operations management. The expansion of the wood product manufacturing business will also depend upon the ability of management to implement and successfully manage expansion, as well as its ability to raise any required capital. There can be no assurance that the wood product manufacturing business will grow and be profitable.

Control of the Company

As at March 31, 2001, (i) Mr. Allen Chan, a director and officer of Sino-Forest, together with Ms. Leslie Chan, an officer of Sino-Forest, and Mr. Chan's and Ms. Chan's family members and associates; and (ii) Kai Kit Poon, a director and officer of Sino-Forest, beneficially owned, directly or indirectly, shares entitling them to 25.2% and 15.3%, respectively, of the voting rights attached to the outstanding shares of Sino-Forest. Accordingly, such shareholders have a significant influence on the determination of the outcome of any matters submitted to a vote of the shareholders of the Company.

Exchange Rate

The fluctuations in the U.S. dollar/Canadian dollar exchange rate that have occurred in the past are not necessarily indicative of fluctuations in that rate that may occur. Exchange rate fluctuations relative to other currencies are also a risk factor. A portion of the Company's sales revenue is currently received in United States dollars. The Company remits only foreign exchange funds to the PRC to cover contracted operating costs in the local Chinese Renminbi. This reduces the Company's currency risk affecting its current operations in the PRC.

The usage, movement and conversion of foreign currency in the PRC are subject to legislative and administrative restriction and control. The Chinese government imposes control over the conversion of its national currency RMB into foreign currencies and remittance thereof out of the PRC must be conducted through the Bank of China or other authorized financial institutions to deal in foreign currencies or, for conversion only, through the authorized banks or foreign exchange adjustment centres. No approvals are needed in order to acquire foreign exchange for a current account transaction, including profit distributions, interest payments and receipts and expenditures from trade and labour. Strict controls, primarily prior approval by the State Administration for Foreign Exchange, continue for capital account transactions in foreign exchange. Capital account items include loans, direct capital investments and investments in negotiable securities. The Company believes that the implementation of these measures will allow the PRC enterprises in which they have interests to access foreign exchange for remittance of profits without prior regulatory approval. Under the current foreign exchange control system, however, there is no guarantee that sufficient foreign currency will be available at a given exchange rate to satisfy the demands of a particular enterprise in full.

Import Duties

Import duties on particleboard have been high in China and, although reduced from 22% to 18% in October 1997, they are still restricting the development of widespread imports. The further reduction or elimination of import duties may provide some incentives for foreign manufacturers to export into China. However, management believes that such an event will not pose a major threat to the Company's particleboard business since the quality of the Company's particleboard, together with high transportation costs for imported particleboard, are expected to continue to make imported particleboard a less attractive alternative to the Company's particleboard.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Financial Information

The following selected financial information has been derived from the consolidated financial statements of the Company for the three years ended December 31, 2000, 1999 and 1998. The information should be read in conjunction with the "Management's Discussion and Analysis" and the consolidated financial statements and accompanying notes of the Company which are contained in its Annual Report to the Shareholders for the year ended December 31, 2000.

	Year Ended December 31		
	2000	**1999**	**1998**
	(thousands of dollars, except per share amounts)		
Operating Results			
Revenue	$126,701	$141,577	$92,710
Net Income	26,683	28,155	21,364
Basic net income per share[1]	0.35	0.37	0.29
Fully-diluted net income per share[1]	0.29	0.31	0.26
Financial Position			
Total assets	220,170	178,271	100,501
Long term debt	28,740	30,218	3,340
Shareholders' Equity			
Cash dividends declared per:			
Class A Subordinate-Voting Share	nil	nil	nil
Class B Multiple-Voting Share	nil	nil	nil

Note:

(1) Net Income per share is calculated using the weighted average number of Class A Subordinate-Voting Shares and Class B Multiple-Voting Shares outstanding during each period.

Quarterly Financial Information

The following table is a summary of selected quarterly financial information of the Company for each of the eight quarters ended December 31, 2000:

	Revenue ($000's)	Net Income ($000's)	Net Income Per Share Basic	Net Income Per Share Fully-Diluted
2000				
December 31	$41,627	$8,763	$0.11	$0.09
September 30	35,950	9,210	0.12	0.10
June 30	27,633	5,674	0.08	0.06
March 31	21,491	3,036	0.04	0.04
1999				
December 31	$58,440	$9,908	$0.13	$0.11
September 30	37,722	9,045	0.12	0.10
June 30	28,277	6,302	0.08	0.07
March 31	17,138	2,900	0.04	0.03

Dividend Record and Policy

Sino-Forest has not declared any dividends on its shares. Other than restrictions on the payment of dividends imposed by law and the priority of the Class A Subordinate-Voting Shares over the Class B Multiple-Voting shares with respect to the payment of dividends, there are no restrictions which would prevent Sino-Forest from paying dividends. Any payment of dividends on Class A Subordinate-Voting Shares and Class B Multiple-Voting Shares is at the discretion of the board of directors of Sino-Forest and is dependent upon the Company’s results of operations, financial condition, financing requirements and other factors that the board of directors deems relevant.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

Reference is made to the section entitled “Management Discussion and Analysis” on pages 17 through 23 of the Annual Report to the Shareholders of the Company for the year ended December 31, 2000, which section is incorporated herein by reference.

MARKET FOR SECURITIES

The Class A Subordinate-Voting Shares are listed on the TSE and trade under the stock symbol "TRE.A".

DIRECTORS AND EXECUTIVE OFFICERS

The table presented below provides the names of the current directors and executive officers of the Company, the offices held by them and the date of their first appointment.

Name and Municipality of Residence	Position(s) Held	Principal Occupation	Director Since(1)
Allen T.Y. Chan(2)(3) Hong Kong	Chairman, Chief Executive Officer and Director	Officer of the Company	1994
Leslie W.L. Chan Hong Kong	Executive Vice President	Officer of the Company	-
R. John (Jack) Lawrence(3) Toronto, Ontario	Director	Chairman of Lawrence & Company Inc., a private investment company	1997
Jay A. Lefton Toronto, Ontario	Corporate Secretary	Partner, Aird & Berlis Barristers & Solicitors	-
Edmund Mak(2)(4) Vancouver, B.C.	Director	Real estate marketing agent, Re/Max Select Properties, a real estate company	1994
Simon Murray Hong Kong	Director	Chairman, General Enterprises Management Services Limited	1999
Kai Kit Poon Hong Kong	President and Director	Officer of the Company	1994
William P. Rosenfeld(2)(3)(4) Toronto, Ontario	Director	Partner, Goodmans LLP Barristers & Solicitors	1997
Kee Y. Wong Toronto, Ontario	Executive Vice President, Chief Financial Officer and Director	Officer of the Company	1997

Notes:

(1) All directors of the Company serve until the next annual meeting of shareholders or until such director's successors is duly elected or appointed.
(2) Member of the Audit/Risk/Finance Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance Committee.

Each of the foregoing persons has held the position shown as his or her principal occupation for the last five years except as set forth below.

Simon Murray

Simon Murray is the founder and chairman of General Enterprise Management Services Limited. From 1993 to 1998, he was the Executive Chairman of Asia Pacific for the Deutsche Bank Group with responsibilities for supervision of the Bank's operations in the region comprising of 60 businesses in 17 countries. He is currently a director of a number of public companies including Hutchison Whampoa Ltd., and Cheung Kong Holdings in Hong Kong, and Tommy Hilfiger in the U.S.A. Mr. Murray has spent 32 years in Asia including 14 years with Jardine Matheson. His past chairmanships include Hong Kong Electric, Hong Kong International Terminals, Husky Oil of Canada and Asia Satellite Communications.

Kee Y. Wong

Mr. Kee Y. Wong was appointed Executive Vice President and Chief Financial Officer on October 28, 1997. Previously, he was the Senior Vice President, Corporate Development, and Chief Financial Officer of the Company. Prior to joining the Company, Mr. Wong was a partner with Ernst & Young in Toronto where he acted as auditor and business advisor to many growth-oriented companies. Mr. Wong is a fellow of the Institute of Chartered Accountants in England and Wales. He is also a Chartered Accountant in Canada.

Ownership of Shares by Directors and Officers

As at March 31, 2001, the directors and executive officers of the Company as a group beneficially owned, directly or indirectly or exercised control over, 15,221,810 Class A Subordinate-Voting Shares, representing approximately 20.5% of the issued and outstanding Class A Subordinate-Voting Shares, and 6,000,000 Class B Multiple-Voting Shares, representing 100% of the issued and outstanding Class B Multiple-Voting Shares.

ADDITIONAL INFORMATION

The Company will provide to any person, upon request to the Company:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus which has been filed in respect of a distribution of its securities;

 (i) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

 (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;

(iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and

(iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Further additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's information circular in respect of its annual meeting of shareholders to be held on June 19, 2001. Additional financial information is provided in the Company's comparative financial statements for its most recently completed financial year ended December 31, 2000. A copy of such documents may be obtained upon request from the Company at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3 ((905) 281-8889).