No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of Sino-Forest Corporation,1208-90 Burnhamthorpe Road West, Mississauga, Ontario L5B 3C3, telephone 905.281.8889, and are also available electronically at www.sedar.com.*

This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **"1933 Act"**) or any state securities law. Accordingly, subject to certain exceptions, these securities may not be offered, or sold or delivered within the United States of America or to, or for the benefit of, U.S. Persons (as defined in the 1933 Act) except in certain transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. See "Plan of Distribution".

Short Form Prospectus

<u>New Issue</u> June 5, 2007

SINO-FOREST CORPORATION

$175,835,000

13,900,000 Common Shares

This short form prospectus qualifies the distribution of 13,900,000 common shares (the **"Common Shares"**) of Sino-Forest Corporation (the **"Corporation"**) at a price of $12.65 (the **"Issue Price"**) per Common Share (the **"Offering"**). The Corporation's registered office and principal business office is located at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario L5B 3C3. The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (**"TSX"**) under the symbols "TRE" and "TRE.S". The TSX has conditionally approved the listing of the Common Shares qualified for distribution under this short form prospectus. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before August 24, 2007. The closing price of the Common Shares on the TSX on June 4, 2007 was $13.99.

Dundee Securities Corporation, CIBC World Markets Inc., Merrill Lynch Canada, Inc., Credit Suisse Securities (Canada) Inc., UBS Securities Canada Inc. and Haywood Securities Inc. (the **"Underwriters"**), as principals, conditionally offer the Common Shares qualified for distribution under this short form prospectus, subject to prior sale, if, as and when issued by the Corporation and accepted by them in accordance with the conditions contained in the Underwriting Agreement referred to under the heading "Plan of Distribution", and subject to approval of certain legal matters by Aird & Berlis LLP on behalf of the Corporation and by Stikeman Elliott LLP on behalf of the Underwriters. See "Plan of Distribution".

Price: $12.65 per Common Share

	Price to the Public	Underwriters' Fee[(1)]	Net Proceeds to the Corporation [(2)(3)]
Per Common Share	$12.65	$0.54	$12.11
Total........	$175,835,000	$7,472,988	$168,362,012

Notes:

(1) The Corporation has agreed to pay the Underwriters a cash commission (the **"Underwriters' Fee"**) equal to 4.25% of the gross proceeds of the Offering including, for greater certainty, any Common Shares sold upon exercise of the Over-Allotment Option (as defined below).

(2) Before deducting the expenses of this Offering (estimated at $1,200,000) which, together with the Underwriters' Fee, will be paid by the Corporation from the proceeds of the Offering.

(3) The Corporation has granted to the Underwriters an option (the **"Over-Allotment Option"**) to purchase up to an additional 2,000,000 Common Shares at the Issue Price for the purpose of covering over-allotments, if any. The Over-Allotment Option may be exercised at any time, in whole or in part, until that date which is 30 days following the Closing Date (as defined below). This short-form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option.

The price of the Common Shares offered hereby was established solely by negotiation between the Underwriters and the Corporation.

Underwriters' Position	Maximum Size[(1)]	Exercise Period	Exercise Price
Over-Allotment Option	2,000,000 Common Shares	Exercisable for a period of 30 days following the Closing Date	$12.65

Note:

(1) Assuming the exercise of the Over-Allotment Option in full.

An investment in the Common Shares is subject to certain risks. Prospective investors should carefully consider the risk factors described in this short form prospectus under "Risk Factors".

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about June 12, 2007 or such other date as the Corporation and the Underwriters may agree (the **"Closing Date"**), but in any event not later than June 30, 2007. A book-entry only certificate representing the Common Shares to be issued to Canadian purchasers pursuant to the Offering will be issued in registered form to CDS Clearing and Depository Services Inc. (**"CDS"**) or its nominee and will be deposited with CDS on the Closing Date. A Canadian purchaser of Common Shares will receive only a customer confirmation from a registered dealer who is a CDS participant and from or through which the Common Shares are purchased. For all Common Shares sold within the United States, it is expected that certificates evidencing the Common Shares will be available for delivery at closing.

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

Investors should rely only on the information contained in or incorporated by reference in this short form prospectus. The Corporation has not authorized anyone to provide investors with different information. The Corporation is not offering the Common Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date on the front of this short form prospectus.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, the Common Shares, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, subject to the specific provisions of any particular plan.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the provincial securities commissions or similar authorities in Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

(a) the annual information form of the Corporation dated March 30, 2007 for the year ended December 31, 2006 (the **"AIF"**);

(b) the Corporation's audited consolidated financial statements for the years ended December 31, 2006 and 2005, together with the notes thereto and the auditors' report thereon (the **"Audited Statements"**);

(c) management's discussion and analysis of the Corporation's financial condition and operations dated March 19, 2007 for the year ended December 31, 2006;

(d) the Corporation's unaudited interim consolidated financial statements for the financial periods ended March 31, 2007 and 2006, together with the notes thereto;

(e) management's discussion and analysis of the Corporation's financial condition and operations dated May 14, 2007 for the financial period ended March 31, 2007;

(f) the management information circular of the Corporation dated April 27, 2007 prepared in connection with the Corporation's annual and special shareholders' meeting held on May 28, 2007;

(g) the report of Pöyry Forest Industry Ltd. entitled "Valuation of China Forest Assets As at 31 December 2006" dated March 15, 2007;

(h) the material change report of the Corporation dated January 19, 2007 with respect to the Corporation's response to a Bloomberg news report regarding the potential investment in, or acquisition of, the Corporation by CVC Asia Pacific Ltd. and Macquarie Bank Ltd., and the subsequent withdrawal of the proposed investment or acquisition;

(i) the material change report of the Corporation dated April 2, 2007 with respect to the Corporation's announcement of its intention to complete a US$200 million private placement (the **"Private Placement"**);

(j) the material change report of the Corporation dated April 16, 2007 with respect to the Corporation's announcement of the closing of the Private Placement on April 10, 2007; and

(k) the material change report of the Corporation dated May 31, 2007 with respect to the Corporation's announcement of the Offering.

All annual information forms, current annual financial statements and related management's discussion and analysis, interim financial statements and related management's discussion and analysis, material change reports (excluding confidential reports), business acquisition reports, information circulars and certain other documents which are filed by the Corporation with a securities commission or any other similar authority in Canada after the date of this short form prospectus and prior to the termination of this Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in this short form prospectus or a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes.

The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except in its modified or superseded form, to constitute part of this short form prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus, and in certain documents incorporated by reference in this short form prospectus, constitute "forward-looking statements". All statements, other than statements of historical fact, in this short form prospectus and in documents incorporated by reference in this short form prospectus that address activities, events or developments that the Corporation or a third party expects or anticipates will or may occur in the future, including the Corporation's future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect the Corporation's current beliefs (or current beliefs at the time such statements were made) and are based on information currently available (or then currently available, as the case may be) to the Corporation and on assumptions the Corporation believes are reasonable. Actual results and developments may differ materially from results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Risk Factors" in the AIF and elsewhere in this short form prospectus and in documents incorporated by reference in this short form prospectus. Certain of these risk factors and uncertainties are beyond the Corporation's control. Consequently, all of the forward-looking statements made in this short form prospectus and in documents incorporated by reference in this short form prospectus are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Corporation. These forward-looking statements are made as of the date of this short form prospectus and the Corporation assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All references in the AIF (incorporated by reference herein) to "U.S. dollars" and "US$" are to United States dollars; all references to "Canadian dollars" and "Cdn$" are to Canadian dollars; all references to "H.K. dollars" and "HK$" are to Hong Kong dollars; all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China, or the PRC; and all references to "€" or "Euro" are to Euros. Solely for the convenience of the reader, the AIF contains translations of certain Canadian dollar, H.K. dollar and Renminbi amounts into U.S. dollars. All such Canadian dollar translations have been made at the rate of Cdn$1.165 to US$1.00. All such H.K. dollar translations have been made at the rate of HK$7.779 to US$1.00. All such Renminbi translations have been made at the rate of RMB7.818 to US$1.00. No representation is made that the Canadian dollar, H.K. dollar or Renminbi amounts stated herein could have been, or could be, converted into U.S. dollars at such rates or at any other rate.

Unless otherwise indicated, all dollar amounts in this short form prospectus are expressed in Canadian dollars.

SUMMARY DESCRIPTION OF THE BUSINESS

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.

The Corporation has offices located in Toronto, Hong Kong and the People's Republic of China (the **"PRC"**). The Corporation's executive offices are located at 3815-29, 38/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong and its registered office and principal business office is located at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3.

The Corporation is a leading commercial forestry plantations operator in China. It began operations in 1994 as the first foreign and privately managed company involved in forestry products in the PRC. The Corporation's principal businesses include the ownership and management of forestry plantation trees and the sales and trading of logs, timber and wood chips. It is a leading supplier of quality wood fibre with complementary downstream wood product operations.

The Corporation's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Corporation's industry segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other industry segments. The segments were re-organised to reflect the Corporation's role as a key wood fibre supplier and provider of value-added wood products through its manufacturing operations. Summary details of the industry segments are as follows:

(a) the wood fibre segment engages in the sale of wood chips, logs, standing timber, imported wood products and the provision of agency services in the sale of wood chips; and

(b) the manufacturing segment engages in the manufacturing of particleboard, melamine faced chipboard, sawn timber, flooring products and nursery products and services.

Further details regarding the business of the Corporation are available in the AIF incorporated by reference herein.

CORPORATE STRUCTURE

Details regarding the corporate structure of the Corporation are contained in the AIF incorporated by reference herein.

RECENT DEVELOPMENTS

On April 10, 2007, the Corporation completed the Private Placement, which consisted of the sale of approximately 25.4 million common shares at $9.15 per share, raising gross proceeds of US$200 million. The proceeds are to be used for the acquisition of standing timber, the acquisition or construction of related processing facilities in the regions, and for working capital.

Details regarding other recent developments in the business of the Corporation are contained in the AIF incorporated by reference herein.

USE OF PROCEEDS

The net proceeds from this Offering are estimated to be approximately $167,162,000 ($191,387,000 if the Over-Allotment Option is exercised in full) after deduction of the Underwriters' fee and the estimated expenses of this Offering. The Corporation intends to use the net proceeds from this Offering primarily for the expansion of the Corporation's commercial forest operation through the acquisition of standing timber and the acquisition or construction of related processing facilities in the commercial forest regions in which the Corporation and its subsidiaries have or will have operations.

EXCHANGE RATES

Canada

The following table sets forth the noon buying rate for U.S. dollars in The City of New York for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

	Noon Buying Rate			
Period	**Period End**	**Average**(1)	**High**	**Low**
		(Cdn$ per US$1.00)		
1997..	1.4288	1.3894	1.4398	1.3357
1998..	1.5375	1.4905	1.5770	1.4075
1999..	1.4440	1.4827	1.5302	1.4440
2000..	1.4995	1.4871	1.5600	1.4350
2001..	1.5925	1.5519	1.6023	1.4933
2002..	1.5800	1.5702	1.6128	1.5108
2003..	1.2923	1.3916	1.5750	1.2923
2004..	1.2034	1.2984	1.3970	1.1775
2005..	1.1656	1.2083	1.2703	1.1507

Period	Noon Buying Rate			
	Period End	Average(1)	High	Low
2006……………………………........	1.1652	1.1307	1.1726	1.0989
2007……………………………........				
January…………………………...	1.1792	1.1762	1.1824	1.1647
February……………………........	1.1700	1.1701	1.1852	1.1586
March………………………..........	1.1530	1.1682	1.1810	1.1530
April……………………………....	1.1068	1.1345	1.1583	1.1068
May……………………………...	1.0701	1.0951	1.1136	1.0240

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant period.

China

The People's Bank of China sets and publishes daily a base exchange rate based on market supply and demand and by reference to a basket of currencies in the market during the prior day. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration for Foreign Exchange.

The following table sets forth the noon buying rate for U.S. dollars in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated:

Period	Noon Buying Rate			
	Period End	Average(1)	High	Low
	(RMB$ per US$1.00)			
1997……………………………........	8.3100	8.3193	8.3290	8.2911
1998……………………………........	8.3008	8.2991	8.3100	8.2778
1999……………………………........	8.2795	8.2785	8.2800	8.2770
2000……………………………........	8.2774	8.2784	8.2799	8.2768
2001……………………………........	8.2766	8.2772	8.2786	8.2676
2002……………………………........	8.2800	8.2770	8.2800	8.2669
2003……………………………........	8.2767	8.2772	8.2800	8.2765
2004……………………………........	8.2765	8.2768	8.2774	8.2764
2005……………………………........	8.0702	8.1826	8.2765	8.0702
2006……………………………........	7.8041	7.9579	8.0698	7.8041
2007……………………………........				
January…………………………...	7.7714	7.7876	7.8127	7.7705
February……………………........	7.7410	7.7502	7.7632	7.7410
March………………………..........	7.7232	7.7969	7.7454	7.7232
April……………………………....	7.7090	7.7247	7.7345	7.7090
May……………………………...	7.6516	7.6773	7.7065	7.6463

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant period.

Hong Kong

The H.K. dollar is freely convertible into the U.S. dollar. Between October 17, 1983 and May 18, 2005, the H.K. dollar was linked to the U.S. dollar at the rate of HK$7.80 to US$1.00. The Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the H.K. dollar against the U.S. dollar continues to be determined by the supply and demand in the foreign exchange market. However, against the background of the linked exchange rate system, the market exchange rate has not deviated significantly from the level of HK$7.80 to US$1.00 since the linked exchange rate system was first established. In May and June 2005, the Hong Kong Monetary Authority replaced the original rate of HK$7.80 per U.S. dollar with a range of rates from HK$7.75 to HK$7.85 per U.S. dollar. The Basic Law provides that the H.K. dollar will continue to circulate and remain freely convertible. The Hong Kong government has not made any official announcement that the linked exchange rate system will be changed or abolished or that the range of exchange rates will be altered. However, no assurance can be given that the Hong Kong government will maintain the link at HK$7.75 to HK$7.85 per U.S. dollar, at any rate or range or at all.

The following table sets forth the noon buying rate for U.S. dollars in The City of New York for cable transfers in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York for the periods indicated.

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(HK$ per US$1.00)			
1997…………………………….........	7.7495	7.7440	7.7550	7.7304
1998…………………………….........	7.7476	7.7465	7.7595	7.7355
1999…………………………….........	7.7740	7.7599	7.7814	7.7457
2000…………………………….........	7.7999	7.7936	7.8008	7.7765
2001…………………………….........	7.7980	7.7996	7.8004	7.7970
2002…………………………….........	7.7988	7.7997	7.8095	7.7970
2003…………………………….........	7.7640	7.7876	7.8001	7.7085
2004…………………………….........	7.7723	7.7893	7.8010	7.7632
2005…………………………….........	7.7533	7.7754	7.7999	7.7514
2006…………………………….........	7.7771	7.7685	7.7928	7.7506
2007…………………………….........				
January…………………………...	7.8078	7.7999	7.8112	7.7797
February…………………….........	7.8119	7.8113	7.8141	7.8041
March………………………..........	7.8137	7.8132	7.8177	7.8093
April……………………………...	7.8212	7.8154	7.8212	7.8095
May……………………………...	7.8087	7.8187	7.8236	7.8044

Note:

(1) Determined by averaging the rates on the last business day of each month during the relevant period.

MARKET PRICE INFORMATION

Trading Price and Volume

The following table sets forth, for the periods indicated, the reported high and low prices and the average volume of trading of the Common Shares on the TSX:

Calendar Period	High	Low	Average Daily Volume
2006			
May	$6.59	$5.10	491,556
June	$5.78	$4.82	301,497
July	$6.01	$5.48	213,549
August	$5.79	$4.16	321,225
September	$4.63	$3.60	484,634
October	$5.84	$4.22	710,380
November	$6.94	$5.46	614,139
December	$7.97	$6.72	640,317
2007			
January	$10.98	$7.39	1,208,091
February	$10.40	$9.12	583,755
March	$13.50	$9.36	925,218
April	$14.43	$12.70	550,820
May	$14.11	$11.76	812,927
June 1 to 4	$14.03	$13.00	894,266

On June 4, 2007, the closing price of the Common Shares on the TSX was $13.99.

DIVIDEND RECORD AND POLICY

The Corporation has not declared any dividends on the Common Shares. Any payment of dividends on the Common Shares is at the discretion of the board of directors of the Corporation and is dependent upon the Corporation's results of operations, financial condition, financing requirements and other factors that the board of directors deems relevant.

CONSOLIDATED CAPITALIZATION OF THE CORPORATION

Since March 31, 2007, being the date of the Corporation's financial statements most recently filed in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*, there have been no material changes in the consolidated capitalization of the Corporation except as indicated in the table below:

	As at March 31, 2007 (US$)	***Pro forma*** **as at March 31, 2007 (after giving effect to the Private Placement)** (US$)[1]	***Pro forma*** **as at March 31, 2007 (after giving effect to the Private Placement and this Offering)** (US$)[1]
	(unaudited – 000's)	(unaudited – 000's)	(unaudited – 000's)
Long-term Debt	440,675	440,675	440,675
Shareholders' Equity	620,017	819,717	986,879
Share capital	143,511	343,211	510,373[2]
Contributed Surplus	5,181	5,181	5,181
Accumulated Other Comprehensive Income	33,920	33,920	33,920
Retained Earnings	437,405	437,405	437,405
Total Capitalization	1,060,692	1,260,392	1,427,554

Notes:

(1) The Private Placement closed on April 10, 2007.

(2) Assuming the exercise of the Over-Allotment Option in full, the share capital would be approximately US$534,598,000.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

This short form prospectus qualifies the distribution of Common Shares. Each holder of Common Shares is entitled to one vote at meetings of shareholders of the Corporation other than meetings of the holders of another class of shares. Each holder of Common Shares is also entitled to receive dividends if, as and when declared by the board of directors of the Corporation. Holders of Common Shares are entitled to participate in any distribution of the Corporation's net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated May 28, 2007 (the **"Underwriting Agreement"**) between the Corporation and the Underwriters, the Corporation has agreed to sell and the Underwriters have severally agreed in the proportions set out in the Underwriting Agreement to purchase on or about June 12, 2007, subject to the terms and conditions stated therein, an aggregate of 13,900,000 Common Shares at a purchase price of $12.65 (the **"Issue Price"**) per Common Share, for an aggregate consideration of $175,835,000. The issue price of the Common Shares was determined by negotiation between the Corporation and the Underwriters. The Common Shares are being offered by the Underwriters in each of the provinces of Canada, other than Québec, pursuant to this short form prospectus.

In addition, the Underwriters will have the option (the **"Over-Allotment Option"**) to purchase up to an additional 2,000,000 Common Shares at the Issue Price for the purpose of covering over-allotments, if any. The Over-Allotment Option may be exercised at any time, in whole or in part, until the date which is 30 days following the Closing Date. This short-form prospectus qualifies both the grant of the Over-Allotment Option and the distribution of the Common Shares issuable upon exercise of the Over-Allotment Option.

The Corporation has agreed to pay the Underwriters a cash commission equal to 4.25% of the aggregate gross proceeds of this Offering including, for greater certainty, any Common Shares sold upon exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all such Common Shares if any such Common Shares are purchased under the Underwriting Agreement.

The TSX has conditionally approved the listing of the Common Shares qualified for distribution under this short form prospectus. Listing is subject to the Corporation fulfilling all of the listing requirements of the TSX on or before August 24, 2007.

Pursuant to the policy statements and/or rules of the relevant securities commissions or similar authorities, the Underwriters may not, beginning two trading days prior to the date that the Issue Price was determined and ending on the date the selling process ends, bid for or purchase any Common Shares or attempt to induce or cause any person to do so. The foregoing restriction is subject to certain exceptions. These exceptions include a bid or purchase: (i) permitted under the rules of the TSX; (ii) relating to market stabilization and passive market-making activities; or (iii) made for and on behalf of a customer where the order was not solicited during the restricted period described above.

The Corporation has agreed to indemnify the Underwriters and their respective directors, officers and each person, if any, who controls the Underwriters within the meaning of either Section 15 of the 1933 Act (as herein defined) or Section 20 of the United States *Securities Exchange Act of 1934*, as amended, and each affiliate of the Underwriters within the meaning of Rule 405 under the 1933 Act against certain liabilities in connection with the issuance of the Common Shares qualified for distribution under this short form prospectus.

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

The Common Shares have not been and will not be registered under the 1933 Act or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. Person (as defined in the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and all applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable securities laws of the United States, they will not offer or sell any Common Shares within the United States or to, or for the account or benefit of, a U.S. Person.

The Underwriting Agreement permits the Underwriters to offer and sell the Common Shares to certain accredited investors in the United States in a manner exempt from the registration requirements of the 1933 Act and all applicable state securities laws. This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Common Shares in the United States or to, or for the account or benefit of, a U.S. Person. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Common Shares offered hereby within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act unless such offer is made pursuant to Rule 144A under the 1933 Act. The Common Shares will be restricted securities within the meaning of Rule 144(a)(3) of the 1933 Act.

The Underwriting Agreement also permits the Underwriters to offer and sell the Common Shares to investors in Europe and Asia, provided that no prospectus or offering memorandum filing or comparable obligation will arise in any such jurisdictions.

RISK FACTORS

There are certain risks inherent in an investment in the Common Shares and in the activities of the Corporation which investors should carefully consider before investing in the Common Shares. Reference is made to the section entitled “Risk Factors” in the AIF, the section entitled “Risks and Uncertainties” in management’s discussion and analysis of the Corporation’s financial condition and operations for the year ended December 31, 2006 and the section entitled “Market Risks” in management’s discussion and analysis of the Corporation’s financial condition and operations for the period ended March 31, 2007, all of which are incorporated by reference in this short form prospectus, for a discussion of the risks inherent in an investment in the Common Shares. As disclosed in the AIF, such risks include, without limitation, the following:

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

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

(a) changes in domestic and international economic conditions;

(b) governmental regulations and policies;

(c) interest rates;

(d) population growth and changing demographics; and

(e) seasonal weather cycles (e.g. dry summers, wet winters) and other factors.

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

The ability of the Corporation to expand its forestry plantation resources and manufacturing plants will require substantial future capital expenditures and the Corporation may be unable to obtain adequate financing to fund its capital and other requirements

The Corporation's forestry plantation resources have grown by acquiring purchased tree plantations, which require intensive capital investment. Typically, the cycle of such plantation trees for harvesting can range from approximately 5 to 12 years, depending upon the tree species. In 2004, 2005 and 2006, the Corporation incurred approximately US$173 million, US$283 million and US$407 million, respectively, for expanding its planted tree plantations and purchased tree plantations. The Corporation finances its forestry plantation expansion activities primarily from internal cash flows, and debt and equity financing. The Corporation may have to obtain financing in order to acquire additional hectares of forestry plantations. The Corporation can give no assurance that its cash flows will be sufficient to finance its operations or future forestry plantation expansion. In addition, the Corporation can provide no assurance that debt or equity financing will be available in the future on attractive terms or at all. If the Corporation is not able to obtain financing, its business, financial condition and results of operations may be materially and adversely affected.

The Corporation's manufacturing operations have grown by investing in an engineered wood flooring plant in Suzhou, an oriented strand board plant in Heilongjiang and finger-joint plants in Hunan. As of December 31, 2006, the Corporation had incurred approximately US$99 million in constructing its manufacturing facilities in the PRC. The Corporation's need to make capital expenditures for its manufacturing facilities may have a material adverse effect on its business, financial condition and results of operations.

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

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

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

The Corporation's business, financial condition and results of operations may be adversely affected by:

(a) changes in PRC political, economic and social conditions;

(b) changes in policies of the PRC government, including changes in policies affecting the forestry industry;

(c) changes in laws and regulations or the interpretation of laws and regulations;

(d) measures which may be introduced to control inflation or deflation;

(e) changes in the rate or method of taxation;

(f) imposition of additional restrictions on currency conversion and remittances abroad; and

(g) reduction in tariff protection and other import restrictions.

In addition, the growth of demand in China for forestry products depends heavily on economic growth. Between 1978 and 2004, China's GDP increased from approximately RMB362 billion to approximately RMB14 trillion. The annual per capital GDP had also risen during this period, from RMB379 to RMB10,502. The central government has been prompt to take corrective measures and actions to stabilize the country's economy and any possible social unrest. After the country's soft landing from an overheating economy, the central government implemented various measures in strengthening and improving macroeconomic regulation and slowly pushing forward reform programmes to create stable momentum growth. The Corporation cannot assure that such growth will be sustained in the future. In addition, there have been concerns about rising labour demand, shrinking supply of traditional unskilled labour and increase in workforce wages. While the rise in wages may increase consumption power, it may increase inflationary pressures in the economy. The reform programmes and shortage of supply of labour may have an adverse impact on the Corporation's business, financial condition and results of operations will be adversely affected.

The Corporation's operations are subject to the uncertainty of the PRC legal system

The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, and due to the limited volume of published cases and judicial interpretation and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. At present, the legal framework for the forestry plantation industry in the PRC is at an early stage of development. For example, the laws and regulations relating to the ownership, licensing and rights over forestry areas are not well developed. Because these laws and regulations may not be comprehensive, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Such uncertainty may make it difficult for the Corporation to enforce its plantation land use rights and other rights. As the PRC legal system develops together with the PRC forestry industry, the Corporation cannot provide any assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on its business, financial condition and results of operations.

The Corporation's forestry plantations and wood-based products trading activities are subject to extensive PRC laws and regulations

The Corporation is subject to regulation under a variety of PRC national and local laws and regulations, including, among others, the PRC Forestry Law and its Implementation Regulations, the Forest Tree and Forestry Land Ownership and Use Rights Registration Administrative Measures and the Administrative Measures on Foreign Investment Forestation of Guangdong Province. Violations of a variety of PRC laws and regulations, including PRC environmental policies and programs that apply to the Corporation's forestry plantations, could result in civil and criminal penalties, including the revocation of licenses required for its business. The Corporation engages in the following activities that are subject to regulation:

(a) forestry plantation activities, including planting, plantation use and maintenance, logging and transportation of logs;

(b) marketing, sale and trading of standing timber, logs and wood-based products; and

(c) timber processing and manufacture and sale of wood panels.

The Corporation's decision and ability to develop and operate future forestry plantations is subject to various factors and uncertainties, and no assurance can be given that the Corporation will actually develop and operate the amount of forestry plantations with respect to which it has certain contractual rights

In the future, the Corporation expects to receive a greater percentage of its revenue from sales of standing timber sourced from its own forestry plantations, either planted tree plantations or purchased tree plantations. As of December 31, 2006, the Corporation had approximately 58,000 hectares of planted tree plantations. As of December 31, 2006, the Corporation also had approximately 294,000 hectares of purchased tree plantations and it expects to acquire additional purchased tree plantations in the future. Under the Corporation's agreements for its purchased tree plantations, it has an option to require the transfer of the plantation land use rights through a long-term lease for a maximum period of up to 30 to 50 years, subject to negotiation of a price for the transfer of the plantation land use rights and receipt of relevant governmental approvals, and satisfaction of registration requirements.

In order for the Corporation to operate its purchased tree plantations as sustainable, rotational forestry plantations, it will have to exercise its option to obtain the relevant plantation land use rights through long-term leases and enter into plantation land use rights transfer agreements with the local landowners or the holders of the land use rights to the plantations. The Corporation cannot give any assurance that it will exercise any of these options or enter into plantation land use transfer agreements. The Corporation's decision and ability to exercise its option or enter into agreements with respect to its purchased tree plantations will depend on, among other factors, its ability to negotiate a final price, whether the area is desirable for forestry plantations and the availability of future financing. The Corporation cannot give any assurance that the purchased tree plantations will be attractive areas for further rotations of forestry plantations.

The Corporation also cannot give any assurance that it will be able to enter into any plantation land use rights transfer agreements with the local landowners or land use rights holders on commercially acceptable terms. The price could be affected by a variety of market and other factors, including the level of development in the area, the desirability of the area for uses other than forestry plantations and general economic conditions.

Restrictions on foreign currency exchange may limit the Corporation's ability to obtain foreign currency or to utilize its revenue effectively

The Corporation receives most of its revenues in Renminbi. As a result, any restrictions on currency exchange may limit its ability to use revenue generated in Renminbi to:

(a) purchase timber imported from other countries;

(b) fund other business activities outside the PRC, such as the purchase of equipment for its manufacturing plants;

(c) service and repay its indebtedness; and

(d) pay out dividends to its shareholders.

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

Foreign exchange transactions under the capital account, however, will be subject to the registration requirements of the State Administration for Foreign Exchange. Capital account transactions refer to international revenues and expenditures that, being inflows and outflows of capital, produce increases or reductions in debt and equity, including direct investment, various types of borrowings and investment in securities. In addition, for either current or capital account transactions, the Corporation's Cooperative Joint Ventures (**"CJVs"**) must purchase foreign currency from one of the PRC banks licensed to conduct foreign exchange.

The Corporation cannot assure that sufficient amounts of foreign currency will always be available to enable the Corporation to meet its foreign currency obligations, whether to service or repay indebtedness not denominated in Renminbi or to remit profits out of the PRC. In addition, the Corporation's subsidiaries incorporated in the PRC may not be able to obtain sufficient foreign currency to pay dividends to the Corporation or to satisfy their other foreign currency requirements. Since foreign exchange transactions under the capital account are still subject to limitations and require approval from the State Administration for Foreign Exchange, this could affect the Corporation's subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from the Corporation. The Corporation also cannot provide assurance that the PRC government will not impose further restrictions on the convertibility of the Renminbi.

The Corporation's manufacturing plants have a short operating history and they may not be successful

The Corporation's manufacturing plants are in an early stage of development and have a short operating history. The Corporation's manufacturing plants may not be profitable or successful. The Corporation's manufacturing plants are subject to the risks inherent in establishing a new business, including competitive pressures. The Corporation's ability to conduct and expand its manufacturing plants will depend upon its ability to, among other things:

(a) produce and develop high quality wood-based products that will be acceptable to customers;

(b) recruit and retain technical and management personnel with requisite expertise and experience in the wood-based products manufacturing industry; and

(c) raise working capital and fund capital expenditures for the expansion of the manufacturing plants.

In 2006 the Corporation reassessed its manufacturing development plan and continued to concentrate on its facility in Gaoyao with a plan to expand its particle board operating capacity to 275,000m^3 from 100,000m^3, and the capability to produce 6,400,000m^2 of laminated particleboard from 1,000,000m^2 annually; invest in an engineered wood flooring plant in Suzhou with a production capacity of 4,000,000m^3; an oriented strand board plant in Heilongjiang with a production capacity of 12,000m^3; and finger-joint board processing facilities in Hunan Province with a total annual production capacity of 68,000m^3.

The Corporation can give no assurance that the facilities will operate at planned operating capacity.

The Corporation's manufacturing plants are subject to operational risks for which it may not be adequately insured

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

If the Corporation's subsidiaries incorporated in the PRC are restricted from paying dividends and other distributions to the Corporation, its primary source of funding would decrease

The Corporation is a holding company with no significant assets other than its equity interests in its wholly owned subsidiaries in the PRC, Hong Kong and the British Virgin Islands. As a result, the Corporation relies on dividends paid to it by its subsidiaries and affiliated entities in the PRC, including the funds necessary to service or repay any debt the Corporation may incur. If the Corporation's subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to meet their financial obligations and to pay dividends or make other distributions to the Corporation, which in turn would limit the Corporation's ability to pay dividends on its shares. PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. The Corporation's subsidiaries in the PRC are also required to set aside a portion of their after-tax profits according to PRC accounting standard and regulations to fund certain reserve funds that are not distributable as cash dividends.

The Corporation is subject to risks presented by fluctuations in foreign currencies

The Corporation publishes its financial statements in U.S. dollars, while substantially all of its revenue is denominated in Renminbi.

Since 1994, the conversion of Renminbi into Canadian and U.S. dollars has been based on rates set by the People's Bank of China, which are set daily based on the previous day's PRC interbank foreign exchange market rate and current exchange rates on the world financial markets. The PRC government has stated publicly that it intends to make Renminbi freely convertible in the future. However, the Corporation cannot predict when the PRC government will allow free conversion of Renminbi into foreign currencies. Renminbi devaluation and exchange rate fluctuations may adversely affect its results of operations and financial condition and may result in foreign exchange losses because of its substantial foreign currency-denominated indebtedness, expenses and other requirements. In addition, the Corporation may not be able to increase the Renminbi prices of its domestic sales to offset fully any depreciation of the Renminbi due to political, competitive or social factors.

At December 31, 2006, the Corporation had indebtedness of RMB167.9 million and US$499.5 million. Other than a currency swap agreement to fix interest payments at US$27.4 million per annum over the next five years with respect to the US$300,000,000 principal amount of 9 1/8% guaranteed senior notes (the **"Guaranteed Senior Notes"**) issued on August 17, 2004, the Corporation does not hedge exchange rate fluctuations between the Renminbi and other currencies and currently has no plans to do so. Any significant fluctuation in the exchange rates between the Renminbi and other currencies, such as the Canadian dollar, U.S. dollar, Euro or Hong Kong dollar, or in the U.S. dollar against the Renminbi, the Canadian dollar, the Euro or the Hong Kong dollar, may have an adverse impact on the Corporation's results of operations and may adversely affect the value, translated or converted into Canadian dollars, U.S. dollars or otherwise, of its revenue and net income.

The forestry industry is susceptible to weather conditions, timber growth cycles and natural disasters outside of the Corporation's control

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

(a) unfavourable local and global weather conditions, such as prolonged drought, flooding, hailstorms, windstorms, typhoons, frost and winter freezing; and

(b) the occurrence of natural disasters, such as damage by fire, insect infestation, crop pests, and earthquakes.

In recent years, certain areas of the PRC have been adversely affected by severe flooding. In addition, the coastal areas of southern China suffer a number of typhoons each season, which lasts from July to September, which occasionally result in significant damage. Further, there have been several incidences of forest fires in Guangdong Province. Dry weather conditions brought by the El Nino weather pattern in 1998 adversely affected certain areas of the world. In 1996, damage brought about by frost adversely affected the yield of eucalyptus plantations on higher altitude inland plantations in the PRC. Similar conditions may occur in the future. The occurrence of these or other natural disasters may disrupt or reduce the supply of trees available for harvesting in the areas of the PRC where the Corporation's forestry plantations are located, which may adversely affect its business, financial condition and results of operations.

The Corporation may not be able to meet its expectations for the yields of its forestry plantations

The success of the Corporation's business depends upon the productivity of its forestry plantations and its ability to realize yields at estimated levels. The Corporation estimates that the current average standing timber yield for the Corporation's eucalyptus trees is approximately 90 cubic meters per hectare per five to six-year cycle. See the section entitled "Operations Overview – Planted Tree Plantations" in the AIF, incorporated by reference herein. However, the Corporation's current average standing timber yield is based upon a short operating history of one rotation and it may not be able to maintain this yield for future rotations. In addition, forestry plantation yields depend on a number of factors, many of which are beyond the Corporation's control. These include damage by disease and pests and other natural disasters, and weather, climate and soil conditions. The Corporation's ability to maintain its yields will depend on these factors, and in particular the weather, climate and soil conditions for additional forestry plantations that it may obtain in the future.

In addition, the Corporation may not be able to meet its expectations that the yield of its eucalyptus forestry plantations will improve over time. The Corporation's ability to improve or maintain its yields will depend on the factors described above as well as its ability to develop genetic improvements in planting materials, its ability to grow improved species of eucalyptus trees and its ability to implement improved silvicultural practices as the Corporation gains experience in managing eucalyptus forestry plantations. As a result, the Corporation cannot provide any assurance that it will be able to realize the historical or future yields expected by the Corporation. If the Corporation cannot achieve yields at expected levels, its business, financial condition and results of operations would be materially and adversely affected.

Estimation of the Corporation's provision for income and related taxes

Two of the Corporation's principal operating subsidiaries incorporated in the British Virgin Islands (the **"BVI Subsidiaries"**) are engaged in the sale of wood chips and standing timber and earning commission income (**"Authorized Sales Activities"**) in the PRC through authorized intermediaries (**"AI"**) that are domestic enterprises. In accordance with Income Tax Laws, foreign companies deriving income from sources in the PRC are subject to foreign enterprise income tax. Under the terms of the master agreements, relevant sales and purchase contracts and commission agreements made with the AI, the AI are responsible for paying all PRC taxes on behalf of the BVI subsidiaries that arise from the Authorized Sales Activities, including but not limited to, income tax, value-added tax and business tax. Accordingly, the BVI Subsidiaries did not directly pay any PRC taxes with respect to the profits earned in the PRC. The relevant income remitted to the Corporation should have already been taxed and not subject to additional PRC taxes.

If PRC tax authorities were to determine that the AI did not pay applicable PRC taxes as required on the Authorized Sales Activities on behalf of the BVI Subsidiaries, they may attempt to recover the applicable PRC taxes or any shortfall from the BVI Subsidiaries. Since the BVI Subsidiaries are unable to ascertain whether the AI have properly handled such tax settlements and/or able to recover relevant PRC taxes required to be paid by the BVI Subsidiaries from the AI, a provision for income tax at an amount representing management's best estimate of the amount which the PRC tax authorities might seek to recover, is recognized in the financial statements each year. The yearly provision is reversed to the income statement after a period of three years based on management's best estimate of the liability. This means that the Corporation always maintains a three-year provision for tax on the profits earned from the Authorized Sales Activities of the three most recent years.

As at December 31, 2006, the balance of the provision for these tax related liabilities amounting to US$39.1 million (2005 – US$25.4 million) was provided on the profits of the Authorized Sales Activities earned by the BVI Subsidiaries over the three previous years.

The provision for income taxes and tax related liabilities is subject to a number of different estimates and judgment made by management. A change in these estimates and judgment could have a material effect on the Corporation's tax expense. The Corporation has operations in various countries (mainly in the PRC and Hong Kong) that have different tax laws and rates. Income tax and other taxes are subject to audit by both domestic and foreign tax authorities. The effective tax rate may change from year to year based on the mix of income among the different tax jurisdictions in which the Corporation operates, changes in tax laws in these jurisdictions, changes in tax treaties between various tax jurisdictions in which the Corporation operates. It is probable that profits already taxed by one tax jurisdiction could be taxed by another tax jurisdiction. Should the PRC tax authorities recover income tax, business tax and value-added tax directly from the BVI Subsidiaries, they might do so together with related tax surcharges and tax penalties on applicable income or profits of the Authorized Sales Activities from the BVI Subsidiaries for up to three years in practice. Under prevailing PRC tax rules, the tax surcharge is calculated at 0.05% per day on the tax amount overdue while the tax penalties can range from 50% to 500% of taxes underpaid. Under the Hong Kong tax regulations, assessments are open for up to six years in practice and tax penalties can be up to treble amount of the tax underpaid.

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

Management evaluates the provision for tax related liabilities on an annual basis or as necessary and believes adequate but not excessive provision for tax related liabilities has been recognized in the financial statements.

The PRC Corporate Income Tax Reform may increase the Corporation's tax cost

On March 16, 2007, the National People's Congress passed a unified tax rate of 25% for all types of enterprises. Currently there are dual income-tax structures under which domestic companies pay income tax at a nominal rate of 33% while the foreign investors benefit from tax waivers and other tax preferential treatments.

Dual income-tax structures were quite necessary in the past and played a crucial role in attracting foreign investment and facilitating China's economy. However, along with China's World Trade Organization entry, the advancement of economic globalization, the establishment and optimization of the socialist market economy mechanism, the dual income-tax structure triggered new contradictions and problems. The PRC State Administration of Tax does not see the practice accord with the national treatment principle required by World Trade Organization rules, is detrimental to the fair competition between companies of various forms and also triggered illegal tax evasion as some domestic companies had been found falsely passing themselves off as foreign companies to claim low rates.

The State Administration of Tax will map out coordinated methods to secure a smooth reform, though the outcry from foreign firms over the phasing-out of their tax privileges remain strong.

The implementation of the tax reform will increase the Corporation's Corporate tax costs and may adversely affect its business financial results.

The Corporation may not be able to effectively manage its forestry plantations if it does not hire additional employees and improve its management systems and internal controls

As of December 31, 2006, the Corporation had 351 employees (excluding manufacturing staff) in Hong Kong and the PRC to manage its forestry plantations. The Corporation currently engages third parties to perform the day-to-day operations of its forestry plantations. However, as the Corporation expands the area of its forestry plantations, it will have to hire additional management employees, strengthen its management processes and develop a plantation resources information system in order to effectively manage the Corporation's forestry plantations. There is no assurance that the Corporation will be able to recruit qualified management employees, strengthen its management processes or develop such an information system in a timely manner, or at all. The Corporation also believes that it is necessary for it to strengthen its internal controls and corporate governance as the Corporation continues to build the business. Should the Corporation fail to take these measures, it may not be able to implement its expansion strategy or to manage its growth effectively and its business, financial condition and results of operations could be materially and adversely affected.

The Corporation is subject to increased credit risk and risks of provisions and write-offs as a result of its increased sales of standing timber

The Corporation began selling standing timber in 2002 and expect sales of standing timber to increase as a percentage of revenue in the future. The Corporation recognizes revenue from sales of standing timber when the buyer has signed the sales contract. As a result of the Corporation's sales of standing timber, its accounts receivables have increased significantly beginning in 2002. To the extent that customers that have purchased or will purchase in the future standing timber fail to pay, in a timely fashion or at all, the Corporation's business, financial condition and results of operations could be materially and adversely affected.

The forest products industry is highly competitive

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

The Corporation's manufacturing plants face competition from other large domestic and foreign owned manufacturers in the PRC, as well as manufacturers in other countries importing into China. In this regard, other manufacturers are currently constructing new production facilities in the PRC that will substantially increase the production capacity. The Corporation may not be able to compete effectively against these and other potential competitors. If the Corporation is not able to compete effectively in its different business lines, or if competition significantly increases, its business, financial condition and results of operations could be materially and adversely affected.

Operational Licenses and Permits

Currently, PRC laws and regulations require forestry plantation companies to obtain licenses and permits to operate forestry plantations, harvest logs on the forestry plantations and transport the logs out of the forest areas. The forestry plantation companies must apply to the relevant Administration for Industry and Commerce of the PRC for the business license, and must apply to the local forestry bureaus for the logging permits and transportation permits for plantations that are to be harvested. The Corporation currently has the relevant business licenses for its subsidiary companies in the PRC to engage in forestry activities and have received the requisite logging permits and transportation permits for its completed logging and transportation activities. In this regard, the PRC government allocates logging quotas annually for plantations that are to be harvested, rather than granting permits at the time the forest is established. The Corporation has confirmation from the relevant forestry bureaus that they will allocate to the Corporation on an annual basis the logging quotas to assure that the Corporation is able to harvest the mature trees in the forestry plantations it currently operates. However, there is no assurance that the Corporation will continue to maintain the business licenses and obtain the relevant permits for its future logging and transportation activities, or that the PRC government will not enact laws and regulations that would add requirements for forestry plantation companies to conduct these activities in the PRC.

In addition, 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, the Corporation currently engages in its 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 its ability to engage in trading activities through its authorized intermediaries. In order to reduce its reliance on the authorized intermediaries, the Corporation has established a number of PRC subsidiaries with the requisite business licence to conduct forestry-related trading business.

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

Environmental Regulations

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

Plantation Land Use Rights

The Corporation's PRC CJV partners (**"CJV Partners"**) are required under the CJV contracts to obtain plantation land use rights certificates for the forestry plantations to be contributed to the CJVs. The Corporation's PRC CJV Partners generally obtain the plantation land use rights from third parties, who are generally rural collective organizations, and then contribute plantation land use rights to the CJVs. Under the Rural Land Contracting Law in the PRC, which took effect on March 1, 2003, the Corporation's PRC CJV Partners must fulfill all relevant legal formalities for the transfer of plantation lands and the rights to operate and manage the plantations. These include obtaining consents from 2/3 of the members of the farming households who have contracted to transfer the plantation lands, from all members of the collective organizations where such farms are located to waive their pre-emptive rights and from the contracting parties who have rights to operate and manage the plantations. Because of the additional requirements of the Rural Land Contracting Law, the Corporation's PRC CJV Partners may not be able to obtain sufficient plantation land use rights from the rural collective organizations or the farming households, which would adversely affect their ability to make their required contributions to the CJVs. As a result, the Corporation's PRC CJV Partners may not be able to provide it with the plantation land use rights to all the forestry plantations that the Corporation has the right to obtain.

In order to simplify its structure, the Corporation is in the process of discussions with its four PRC CJV Partners regarding its proposal to terminate the respective CJV contracts. To date, two CJVs have been converted into wholly foreign owned enterprises (**"WFOEs"**) and have obtained their business licenses as WFOEs. The termination of the other two CJV contracts and the conversion of the CJVs into WFOEs is in progress. Once the conversion is approved and new business licenses for the WFOEs are obtained, the Corporation's WFOEs will need to: (i) negotiate with the original plantation land owners or holders to enter into new plantation land transfer agreements or lease agreements; (ii) complete the requisite legal formalities for the transfer of plantation land; and (iii) obtain plantation rights certificates for those plantation lands originally contributed by the PRC CJV Partners to the WFOEs. There can be no assurance that WFOEs will be able to reach the aforesaid agreements and finally provide the Corporation with the necessary plantation rights certificates.

Implementation of New Form Plantation Rights Certificate

Since 2000, the PRC has been improving its system of registering plantation land ownership, plantation land use rights and plantation ownership rights and of issuing certificates to the persons having land use rights, to owners owning the plantation trees and to owners of the plantation land. In April 2000, the State

Forestry Bureau issued a notice, which provided that a new form of plantation rights certificate was to be used from the date of the notice. The PRC government is in the process of gradually issuing the new form of certificates, which were first issued in 2000, on a nationwide scale. The State Forestry Bureau indicated in a meeting held in July 2002 that they intend to complete the issue of new form certificates within one to five years.

Currently, the Corporation has obtained part of the new plantation rights certificates mainly from the Jiangxi and Guangdong Provinces. For the purchased tree plantations, the Corporation has obtained confirmations from the relevant forestry bureaus that it has the legal right to own the purchased tree plantations for which it has not received new form certificates. However, the Corporation can give no assurance when the official plantation rights certificates will be issued to all of its purchased tree plantations and planted tree plantations by the people's government. Until official new-form plantation rights certificates are issued, there can be no assurance that the Corporation's rights to its forestry plantations will not be subject to dispute or challenge. If such certificates are not issued, or are not issued in a timely manner, or if the Corporation's right to any of its forestry plantation lands is subject to dispute or challenge, its business, financial condition and results of operations could be materially adversely affected.

Agricultural Taxes and other Related Forestry Fees

Prior to February 2006, agricultural taxes were levied by the PRC government and generally amounted to approximately 8% of the selling prices or government standardized prices, depending upon the entity and the province in which it operated. On February 17, 2006, the agricultural taxes were abolished by the State Council. These agricultural taxes and other related forestry fees have been levied at the time trees were harvested or sold. The forestry related fees include reforestation and maintenance fees, which are generally charged at 10% to 20% of sales, but those fees actually charged varies from place to place. There is also a forest protection fee of RMB5 per cubic meter of wood harvested. No assurance can be given that other forestry related taxes will not be levied and these forestry related fees will not be increased in the future. According to a notice issued by the Finance Bureau, State Development Reform Committee and State Forestry Bureau on August 4, 2003, the forestry protection fee has been cancelled. However, the cancellation of the forestry protection fee has not yet been fully implemented in the provinces where the Corporation's forestry plantations are located.

The Corporation's insurance coverage may be insufficient to cover losses

Consistent with PRC forestry industry practice, the Corporation maintains insurance for its forestry plantations for an indemnity with a loss limit. The Corporation has insurance for its planted and purchased tree plantations in various locations in PRC against losses from fires, lightning, aircraft, explosion, floods, windstorm, subterranean fire and flood. The Corporation does not insure all its plantations against losses from all natural and other disasters and it does not carry business interruption insurance. As a result, the Corporation's insurance coverage may be insufficient to cover losses that it may incur on its forestry plantations. If the Corporation were to suffer an uninsured loss to its forestry plantations, the Corporation's business, financial condition and results of operations could be materially adversely affected. The Corporation also maintains insurance policies against risks of damage or destruction of its manufacturing facilities under Property All Risks and Public Liability Insurances. The Corporation maintains level of fire insurance in amounts that it considers to be appropriate for such risks. Such insurance is subject to deductibles that the Corporation considers reasonable and not excessive given the current insurance market environment. The occurrence of a significant event to the Corporation's manufacturing facilities that it is not fully insured or indemnified against, or the failure of a party to meet its indemnification obligations, could materially and adversely affect its business and results of operations.

The Corporation relies on its relationships with joint venture partners, authorized intermediaries, key customers, suppliers and third party service providers for its forestry plantations and trading activities

The Corporation relies on its relationships with joint venture partners, authorized intermediaries, key customers, suppliers and third party service providers for its forestry plantations and trading activities. These relationships are discussed below.

Joint Venture Partners and Contract Parties

The Corporation has joint venture arrangements with its PRC CJV Partners and contractual arrangements with the original plantation land owners, land use rights holders or their agents for the Corporation's WFOEs. These, and possible future joint ventures and contractual arrangements with other third parties in connection with forestry plantations in the PRC, may involve certain risks. These risks include, among others, the possibility that the joint venture partners and contract parties may be unable or unwilling to fulfill their obligations, whether of a financial nature or otherwise, under the relevant joint venture or other agreements, or that the joint venture partners or contract parties could terminate the Corporation's arrangements with them before the end of the term of the relevant contract or refuse to renew such arrangements when the term of the relevant contract expires. Although the Corporation has not experienced any significant disputes with its PRC CJV Partners or contract parties, a serious dispute over joint venture and contractual obligations, timber-sharing arrangements or otherwise, or an early termination of its arrangements with them, could adversely affect the Corporation's business, financial condition and results of operations.

In order to simplify its structure, the Corporation is in the process of discussions with its four PRC CJV Partners regarding its proposal to terminate the respective CJV contracts. To date, two CJVs have been converted into WFOEs and have obtained their business licenses as WFOEs. The termination of the other two CJV contracts and the conversion of the CJVs into WFOEs are in progress. Once the conversion is complete, there can be no assurance that WFOEs will be able to serve as adequate replacements of PRC CJV Partners.

Authorized Intermediaries

In 2006, the Corporation relied on one authorized intermediary for its authorized wood chips trading transactions in the PRC. In the fourth quarter of 2005, one of the two authorized intermediaries that processes wood chip for the Corporation was acquired and ceased to provide service for it. In order to minimize impact on its operation, the Corporation shifted some of the logs to the remaining authorized intermediary for processing. The Corporation anticipates risks relying solely on one authorized intermediary, therefore, the Corporation is slowly shifting the remaining logs quota to its manufacturing operations for downstream production and utilization.

Customers

A few large customers account for a significant percentage of the Corporation's total revenue. During 2004, 2005 and 2006, the Corporation's top five customers accounted for approximately 75%, 56% and 54%, respectively, of total revenue. For the same periods, the Corporation's largest customer accounted for approximately 23%, 18% and 13%, respectively, of total revenue. These top customers are all wood dealers and the Corporation's authorized intermediaries who sell logs, wood chips and wood-based products to end-user customers of these products. As a result, the Corporation expects that, for the foreseeable future, sales to a limited number of customers will continue to account, alone or in the aggregate, for a significant percentage of its total revenue. Dependence on a limited number of customers exposes the Corporation to the risk that a reduction of business volume from any one customer could have a material adverse effect on its business, financial condition and results of operations.

Suppliers

A few large suppliers account for a significant percentage of the Corporation's timber supply. In 2004, 2005 and 2006, the Corporation's five largest timber suppliers accounted for approximately 73%, 72% and 48%, respectively, of its total costs of sales. For the same periods, the Corporation's largest supplier of timber accounted for approximately 26%, 20% and 16%, respectively, of its total costs of sales. These top suppliers are all wood dealers and the Corporation's authorized intermediaries. The Corporation has not entered into any long-term supply contract for supply of raw timber. Dependence on a limited number of suppliers exposes the Corporation to the risk that any significant interruption in the supply of raw timber could have a material adverse effect on its business, financial condition and results of operations.

Service Providers

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

If the Corporation loses any of its key personnel, the Corporation's operations and business may suffer

The Corporation is heavily dependent upon its senior management in relation to their expertise in the forestry industry and research and development in forest plantation management practices and wood-based products manufacturing production processes, and the relationships cultivated by them with its PRC CJV Partners, major customers and others. The Corporation has no long-term contracts with any of its senior management. The departure, or otherwise loss of service, of any of the Corporation's senior management could materially and adversely affect its business, financial condition and results of operations. The Corporation does not have key person life insurance policies covering any of its employees, including its senior management.

Difference in Hunan and Yunnan business models may pose execution risks

Hunan and Yunnan are new regions that the Corporation entered into in the fourth quarter of 2006 and first quarter of 2007. The Corporation's intention is to acquire 400,000 hectares of Chinese fir and pine over 14 years in Hunan and 200,000 hectares of Pine and Broadleaved Shaw over 10 years in Yunnan. Despite the strong support and collaboration the Corporation received from the local governments and forestry bureaus, there remain risks such as disagreement with collectively-owned farmers and execution risks of large-scale harvesting and replantation programme given the climate difference, as most of the Corporation's plantations are located in the warmer southern region.

Increase in export logs taxes from Russia may put pressure the Corporation's revenue

The Russian government announced in early 2007 that it will significantly increase the export tax on logs from the current level of 6.5% to 20% in July 2007, 25% in April 2008 and 80% in January 2009. Although taxes levied will be passed on to its customers, the Corporation does anticipate import demand from Russia might decrease and/or its margins will be penalized. To mitigate such risks, the Corporation will expand its sourcing network globally.

Rise in land lease cost

Given China's robust economic growth over the past decade and demand for wood fibre continue to climb, cost for trees and land lease rental have been rising gradually, about an average 10% year-on-year. In addition, China's 11^{th} five-year plan to improve rural living standards and develop regional economic zones will increase cost along the coastal and second to third tier cities. In anticipating such occurrence, the Corporation has been moving to inner areas where trees acquisition and land lease costs remain competitive.

INTEREST OF EXPERTS

Each of Pöyry Forest Industry Ltd., Aird & Berlis LLP and Stikeman Elliott LLP is considered to be an expert for the purposes of this short form prospectus and the documents incorporated by reference herein.

Neither Pöyry Forest Industry Ltd. nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. As of the date hereof, Pöyry Forest Industry Ltd. and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

Neither Aird & Berlis LLP nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. As of the date hereof, Aird & Berlis LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

Neither Stikeman Elliott LLP nor any partner, employee or consultant thereof has ever received a direct or indirect interest in any property of the Corporation or any of its associates or affiliates. As of the date hereof, Stikeman Elliott LLP and the partners, employees and consultants thereof, as a group, beneficially own, directly and indirectly, less than 1% of the outstanding Common Shares.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are BDO McCabe Lo Limited, Hong Kong.

The registrar and transfer agent of the Common Shares is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation in certain of the provinces of Canada further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Sino-Forest Corporation (the **"Corporation"**) dated June 5, 2007 relating to the issue and sale of 13,900,000 common shares of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheets of the Corporation as at December 31, 2006 and 2005, and the consolidated statements of income and retained earnings and cash flows for each of the years in the two-year period ended December 31, 2006. Our report is dated March 19, 2007.

Hong Kong
June 5, 2007

(Signed) BDO MCCABE LO LIMITED

CERTIFICATE OF SINO-FOREST CORPORATION

Dated: June 5, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

(Signed) ALLEN T.Y. CHAN
Chief Executive Officer

(Signed) DAVID J. HORSLEY
Chief Financial Officer

On behalf of the Board of Directors of
Sino-Forest Corporation

(Signed) W. JUDSON MARTIN
Director

(Signed) JAMES M.E. HYDE
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 5, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

DUNDEE SECURITIES CORPORATION

(Signed) DAVID G. ANDERSON

CIBC WORLD MARKETS INC.

(Signed) ALAN C. WALLACE

MERRILL LYNCH CANADA, INC.

(Signed) PAUL ALLISON

CREDIT SUISSE SECURITIES (CANADA) INC.

(Signed) RYAN LAPOINTE

UBS SECURITIES CANADA INC.

(Signed) MICHAEL J. KOUSAIE

HAYWOOD SECURITIES INC.

(Signed) BLAKE CORBET