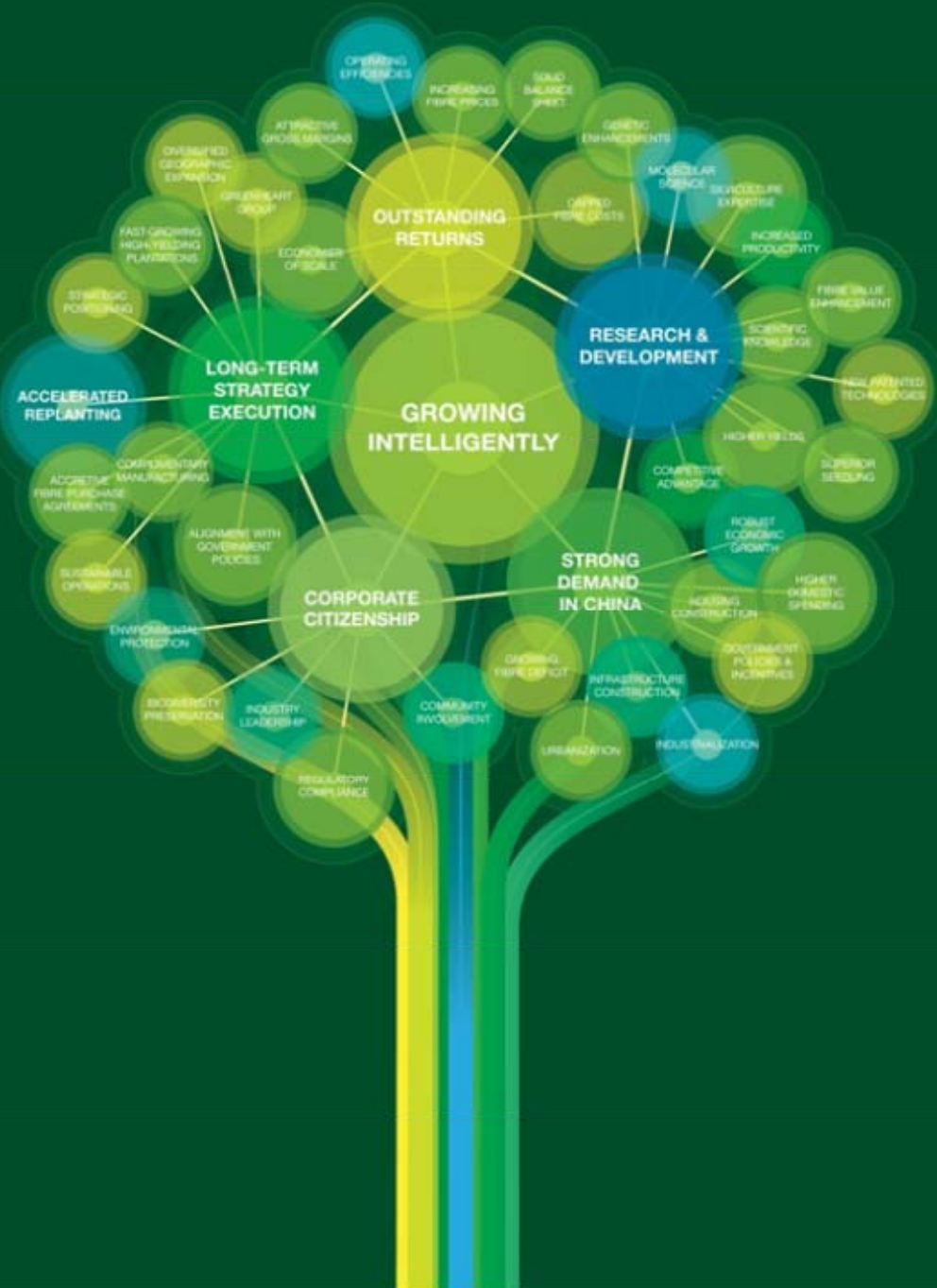




Sino-Forest Corporation



## CORPORATE PRESENTATION FIRST QUARTER 2011 RESULTS

### Growing Intelligently

JUNE 14, 2011



INTERNATIONAL YEAR  
OF FORESTS • 2011



# FORWARD-LOOKING STATEMENTS

This presentation contains projections and forward-looking statements which reflect management's expectations regarding Sino-Forest's future growth, results of operations, performance, business prospects and opportunities. Such statements are not guarantees of future performance of Sino-Forest and are subject to risks and uncertainties that could cause actual results and the Corporation's plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties include, but are not limited to --- our ability to acquire rights to additional standing timber, ability to meet the expected plantation yields, the cyclical nature of the forest products industry and price fluctuation in and the demand and supply of logs, reliance on authorized intermediaries, key customers, suppliers and third party service providers, our ability to operate our production facilities on a profitable basis, changes in currency exchange rates and interest rates, and PRC economic, political and social conditions, changes in political and forestry policies in PRC, Suriname and New Zealand, changes in climate conditions affecting the growth of trees conditions, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

**All amounts are expressed in U.S. dollars.**



# CONTENT

SINO-FOREST OVERVIEW

INDUSTRY DYNAMICS

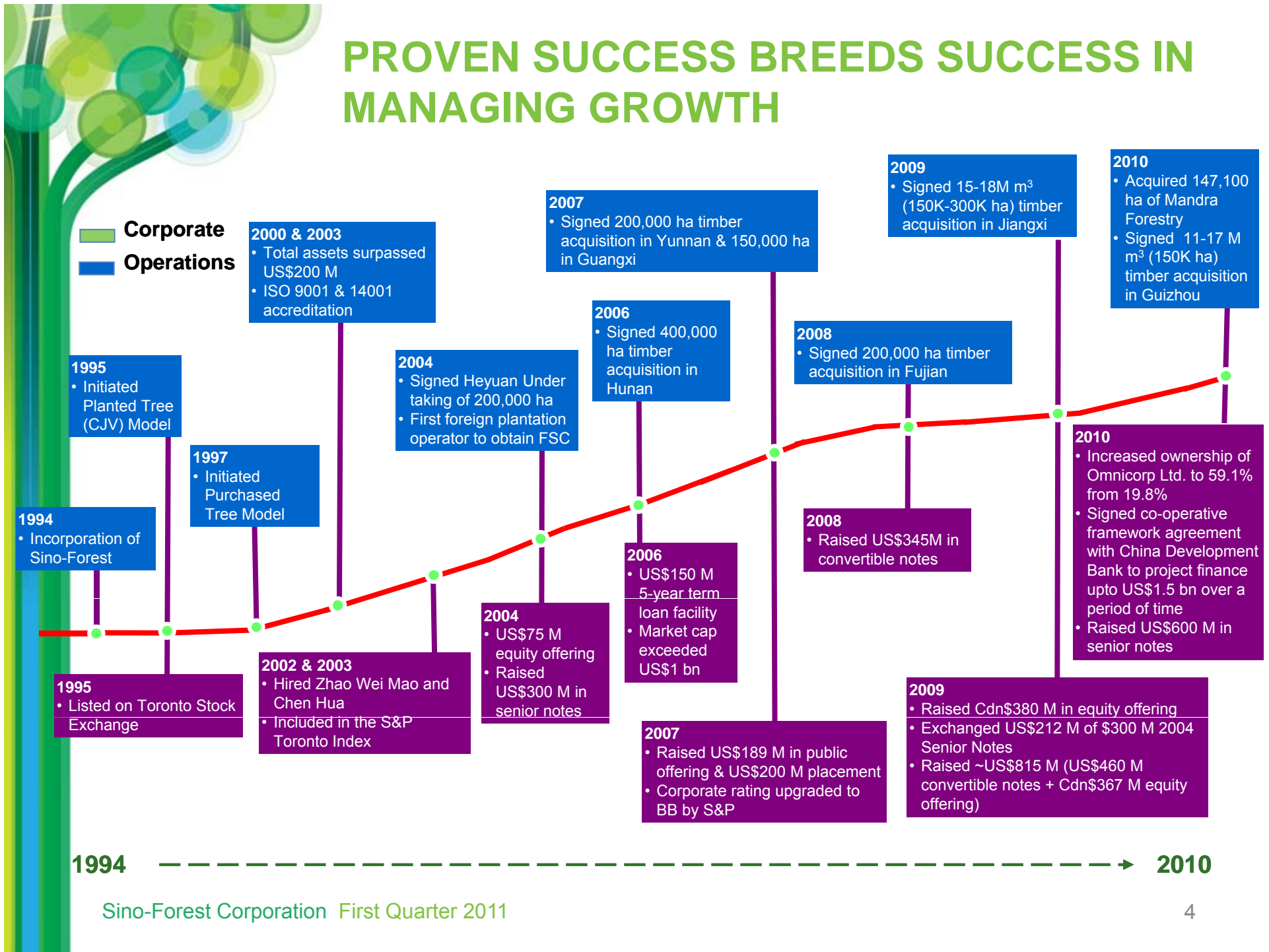
STRATEGIC PLAN

OPERATIONS

FINANCIAL HIGHLIGHTS

APPENDIX

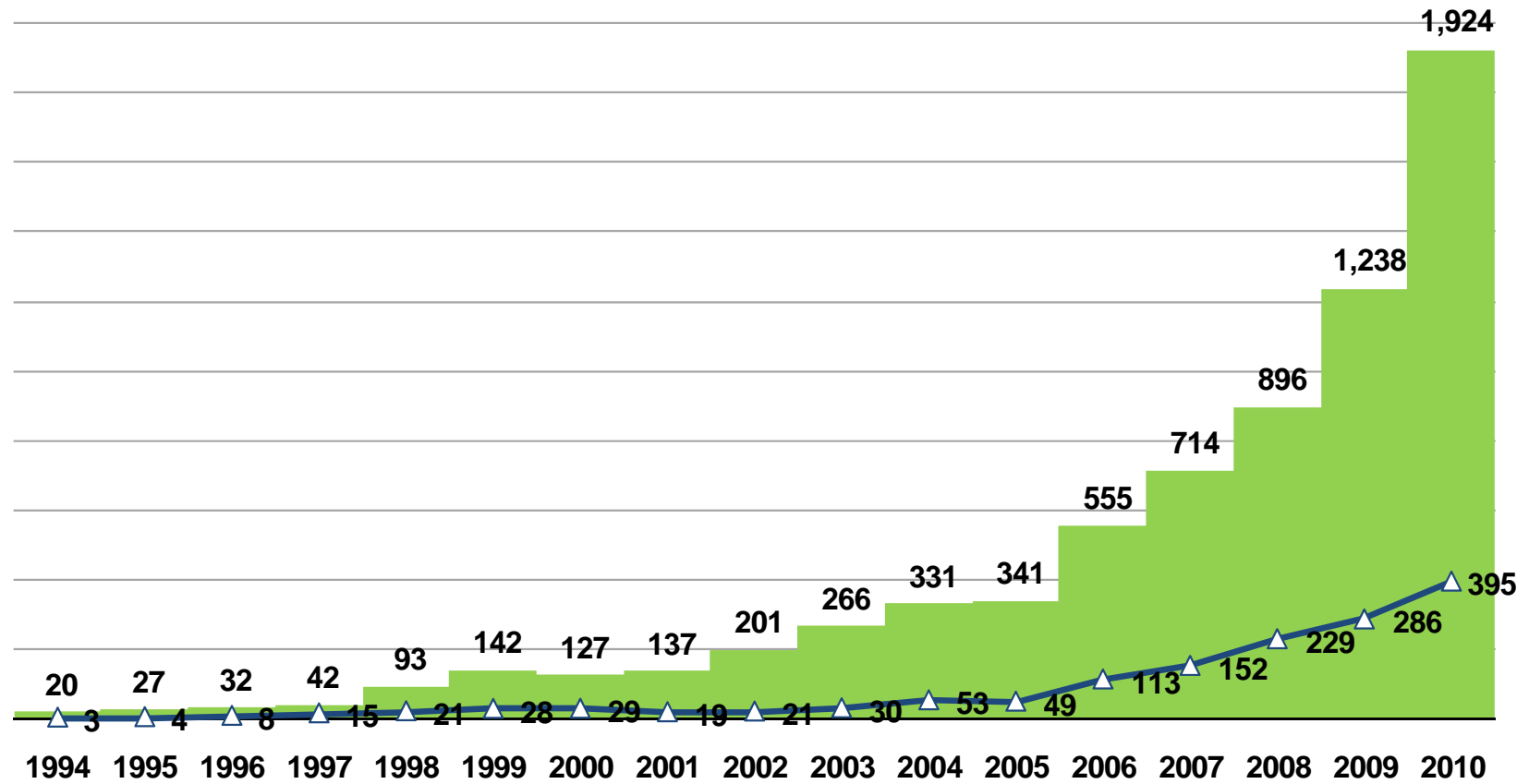
# PROVEN SUCCESS BREEDS SUCCESS IN MANAGING GROWTH



# STRONG GROWTH RECORD

Revenue CAGR 36% ; Net Income CAGR 43%

(\$ millions)



# EXPERIENCED MANAGEMENT TEAM

## Allen Chan, Founder, Chairman & CEO



- Director since 1994; co-founded the Company in 1992
- With two decades of forestry management and industry experience
- Prior to founding Sino-Forest, Allen specialised in new town development, project management and consultancy of manufacturing & hospitality industry
- An academic and a columnist on management-related topics

## K.K. Poon, President



- Director from 1994 to 2009; co-founded the Company in 1992
- Former engineer with the Guangdong Forestry Bureau for 15 years. Engaged in forestry trading and wood product manufacturing since 1979
- Graduated from Chungnam Forestry University, Guangdong, PRC

## Chen Hua, SVP – Administration & Finance, China



- Joined the Company in 2002
- Previously board chair of Suzhou New District Economic Development Group, and worked in numerous large corporations
- Rich experience in accessing capital markets in China

## Zhao Wei Mao (Albert), SVP – Development & Operations, South & East China



- Joined the Company in 2002
- Previously General Manager of wood manufacturing arm of China Everbright Group, worked in numerous countries, accumulated extensive knowledge and experience in domestic and foreign downstream wood manufacturing
- Prior to that was lecturer at Beijing Forestry University

## W. Judson Martin, Vice Chairman



- Vice Chairman since June 2010; Lead director from 2007 to 2010; director since 2006
- Previously Senior EVP & CFO of Alliance Atlantis Communications Inc., Senior EVP, CFO & Chief Operating Officer, MDC Communications Corporation, President & CEO, Trilon Securities Corporation, EVP & CFO, Brookfield Development Corporation, Vice President Finance and Treasurer, Trizec Corporation Ltd.

## Dave Horsley, SVP & CFO, CA, CBV, CF, C. Dir



- Officially joined the Company in 2005; previously was board member of Sino-Forest's Audit, Compensation, and Corporate Governance Committees
- Former CFO of Cygnal Technologies Corp;
- Member of Canadian Institute of Chartered Accountants, and Institute of Chartered Business Valuators

## Albert Ip, SVP – Development & Operations, North-east & South-west China



- Joined the Company in 1997
- Specialised in project establishment and production management;
- Albert heads our Sino-Panel operations
- Graduated from the University of Ottawa, Canada in 1984 with a degree in mechanical engineering and project management



# CORPORATE GOVERNANCE

## INDEPENDENT DIRECTORS

Note: 1. Audit Committee  
2. Corporate Governance Committee  
3. Compensation and Nominating Committee

**William (Bill) E. Ardell, Toronto 1, 2, 3 (chair)**



- Lead Director since 2010; nominated as Director since 2010
- Previously President & CEO and a director of Southam Inc. Bill was director for a number of public and private sectors, including not-for-profit organizations, serving in varying capacities as Chairman, Director, or member of the board committees. He began his career with Touche Ross in Montreal

**James (Jamie) M.E. Hyde CA, C.Dir, Toronto 1 (chair), 2 (chair), 3**



- Director since 2004
- Previously VP, Finance and CFO, GSW Inc.; EVP & CFO, Resolve Business Outsourcing Income Fund
- Former Partner, Ernst & Young LLP, where he provided for 24 years a broad range of professional services to public and private companies

**Simon Murray CBE, Hong Kong**



- Director since 1999
- Chairman, GEMS (General Enterprise Management Services (Int'l) Limited)
- 35 years in Asia; previously Executive Chairman, Asia Pacific, Deutsche Bank Group
- Independent non-executive director of a number of listed companies in Hong Kong including Cheung Kong (Holdings) Ltd., Orient Overseas (International) Ltd., Wing Tai Properties Ltd., and non-executive director of Greenheart Group Ltd.

**Garry J. West FCA, Toronto 1, 2**



- Joined the Board in February 2011
- Former Partner at Ernst & Young
- With 35 years of extensive financial experience including, auditing, corporate restructuring, public financings and strategic planning initiatives for a number of major organizations
- Director and Chair of the Audit Committee for two other TSX-listed companies; Fellow of the Ontario Institute Chartered Accountants

**James (Jamie) P. Bowland CA, Toronto 1, 3**



- Joined the Board in February 2011
- Former Managing Director at BMO Capital Markets, Investment & Banking Group; extensive experience in mergers & acquisitions, capital markets and corporate banking
- Jamie is a Director of a number of TSX-listed companies and not-for-profit organizations. He is a Chartered Accountant and holds the Institute of Corporate Directors designation

**Edmund Mak MBA, Vancouver 2**



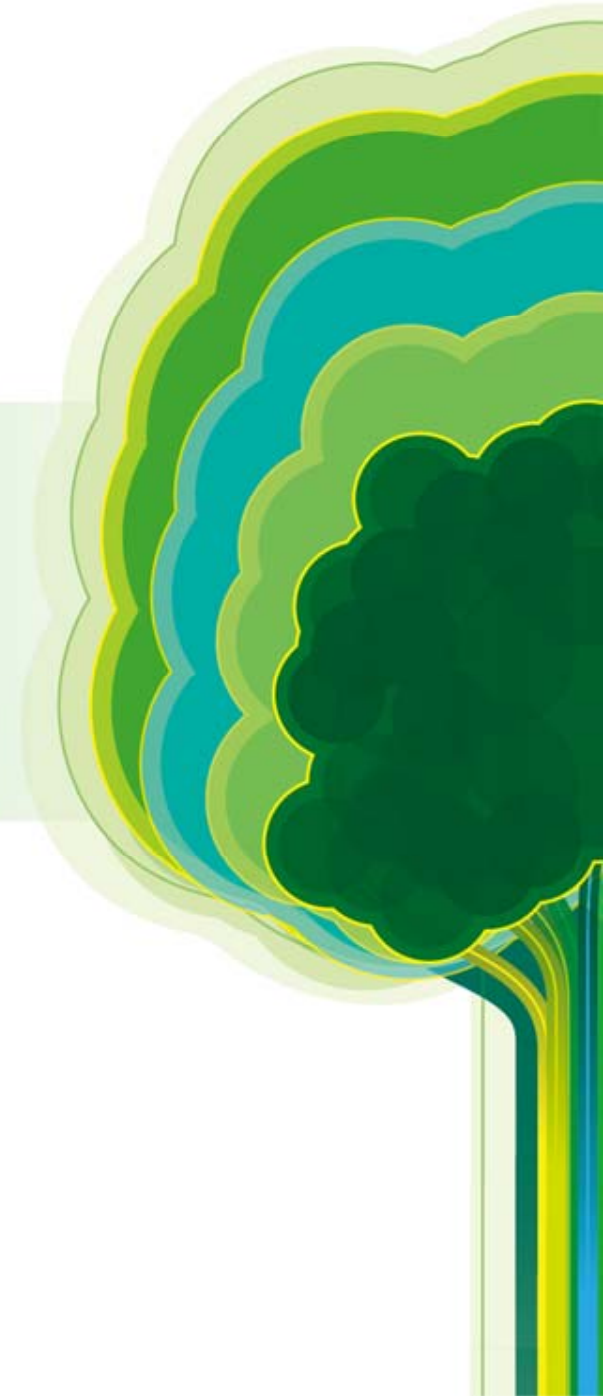
- Director since 1994
- Associate Broker, Royal Pacific Realty Corporation
- Over 30 years experience with public, multi-national and private corporations in North America and Hong Kong, in the real estate, computer and high technology equipment, transportation, construction, oil & gas, textile and China trade industries

**Peter Wang, Hong Kong**



- Director since 2007
- Senior Commercial Consultant of Zijin Copper of Zijin Mining Group, a HKG-listed company
- Has over 30 years experience in Sino-foreign business affairs, predominantly related to petrochemical and mining industries, as well as wood-based panel industries

# Industry Dynamics



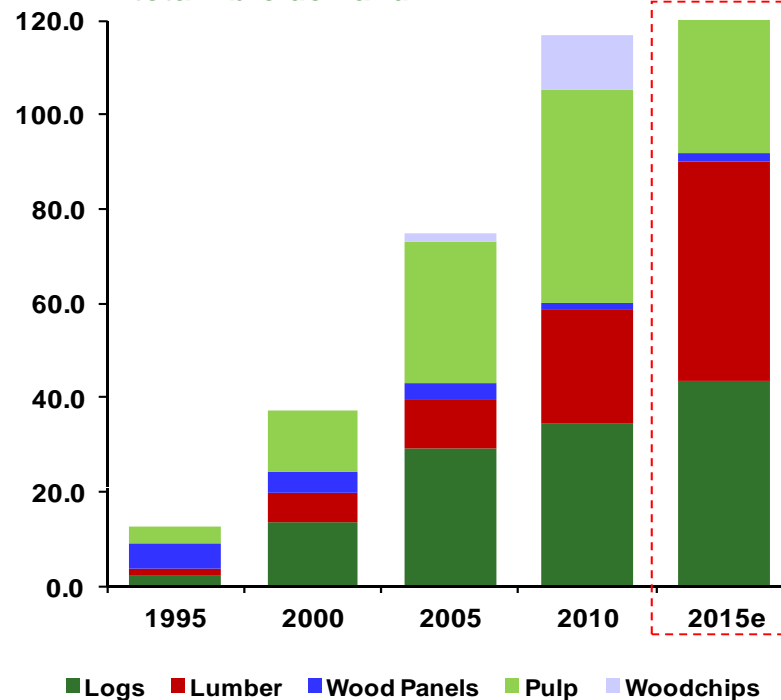


# FAVORABLE MARKET DYNAMICS

## Domestic supply lags demand, creating structural fibre deficit <sup>(1)</sup>

- Total wood fibre consumption in China was roughly **420 million m<sup>3</sup>** for industrial, fuelwood and others <sup>(2)</sup>
- Industrial roundwood equivalent demand ~260 million m<sup>3</sup> <sup>(2)</sup>
- China's wood fibre deficit was ~117 million m<sup>3</sup> in 2010
  - Expected to increase by 36% to 182 million m<sup>3</sup> in 2015

**China imports approximately 48% of total fibre demand <sup>(2)</sup>**



<sup>(1)</sup> RISI 2011 data

<sup>(2)</sup> SFA (removals), WTA (Imports), Kauri Capital Research

## Sustainable growth and price drivers

### Supply

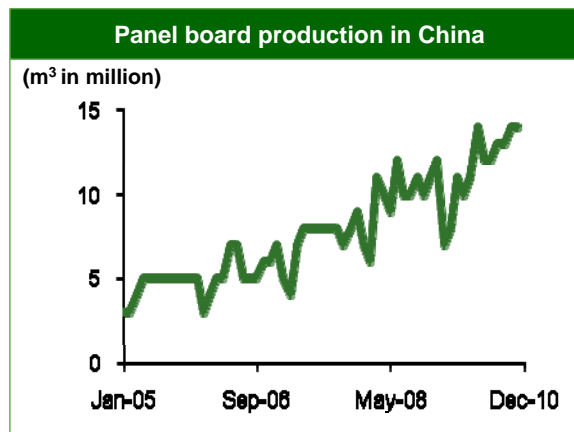
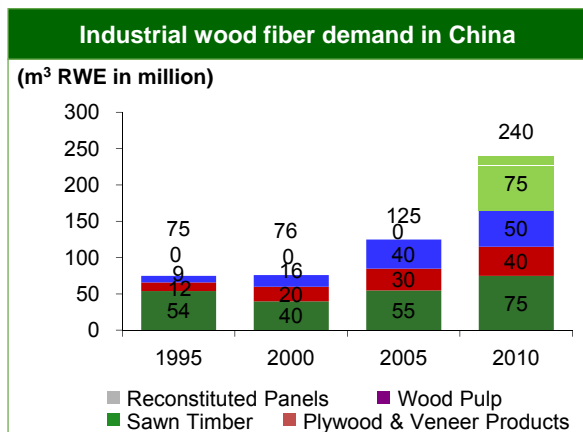
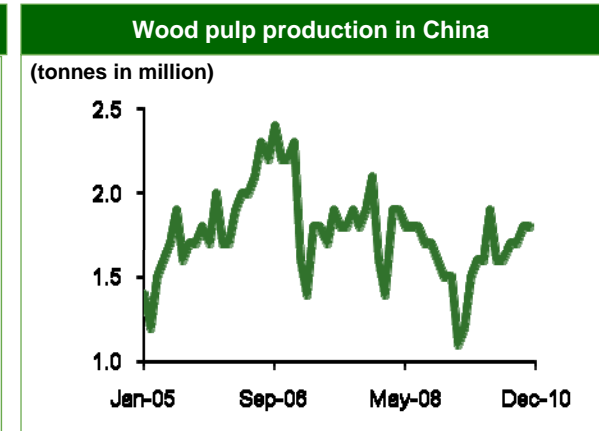
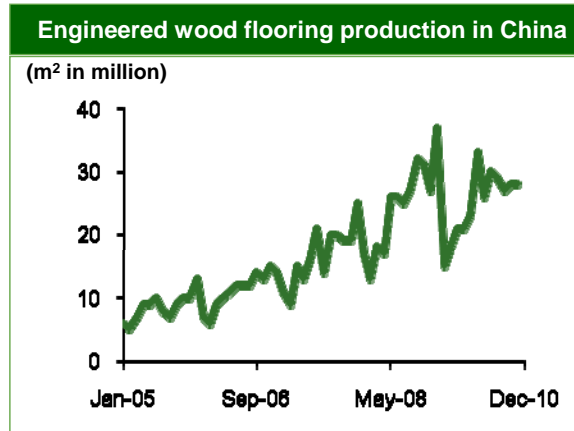
- Tight supply due to ban on **logging of natural forests** in certain regions since 1998
- Low timber stocking volume for commercial demand; state-owned and co-op plantations have low productivity
- 24 million ha of plantation forest allocated for industrial use, out of which 7 million ha converted to fast-growing high yield plantations (FGHY)**
- China aims to convert 13.3 million ha to FGHY<sup>(3)</sup> by 2015

### Demand

- China targets a **8% GDP growth for 2011**
- Growth in domestic fibre demand** implies positive long-term dynamics
  - Capacity expansions in manufacturing of wood fixtures, furniture, interior decoration, flooring products and paper
  - Increase in demand for housing and building materials fueled by growing middle class and rapid urbanization
  - Infrastructure development
  - Pulpwood demand is expected to increase in the next 3 years for new mills
  - Sichuan earthquake rebuild
  - Construction of pulp & paper mills

<sup>(3)</sup> FGHY: fast-growing, high-yielding

# FAVORABLE MARKET DYNAMICS



**Demand for fibre in China has grown consistently**

Source: CEIC, China Wood Monthly and Bloomberg

(1) Spot log prices, diameter 14 – 18 cm, converted from RMB to USD at the average monthly exchange rate for each period



## MACROECONOMIC ENVIRONMENT

### **Favourable economic factors will continue to drive demand for wood fibre**

- ✔ Urbanization target to increase from 48% to 52% by 2015
  - ✔ 0.8% growth per annum will drive ~10 million rural dwellers moving to cities
  - ✔ Construction of infrastructure, public facilities and others to support urbanization
- ✔ Central Government's Plan to construct an additional 36 M units of affordable housing over the next five years
  - ✔ Commenced construction of 5.9 M units in 2010
- ✔ New building codes favour use of wood fibre, providing some earthquake resilience
- ✔ Mega pulp mills planned to be constructed in China

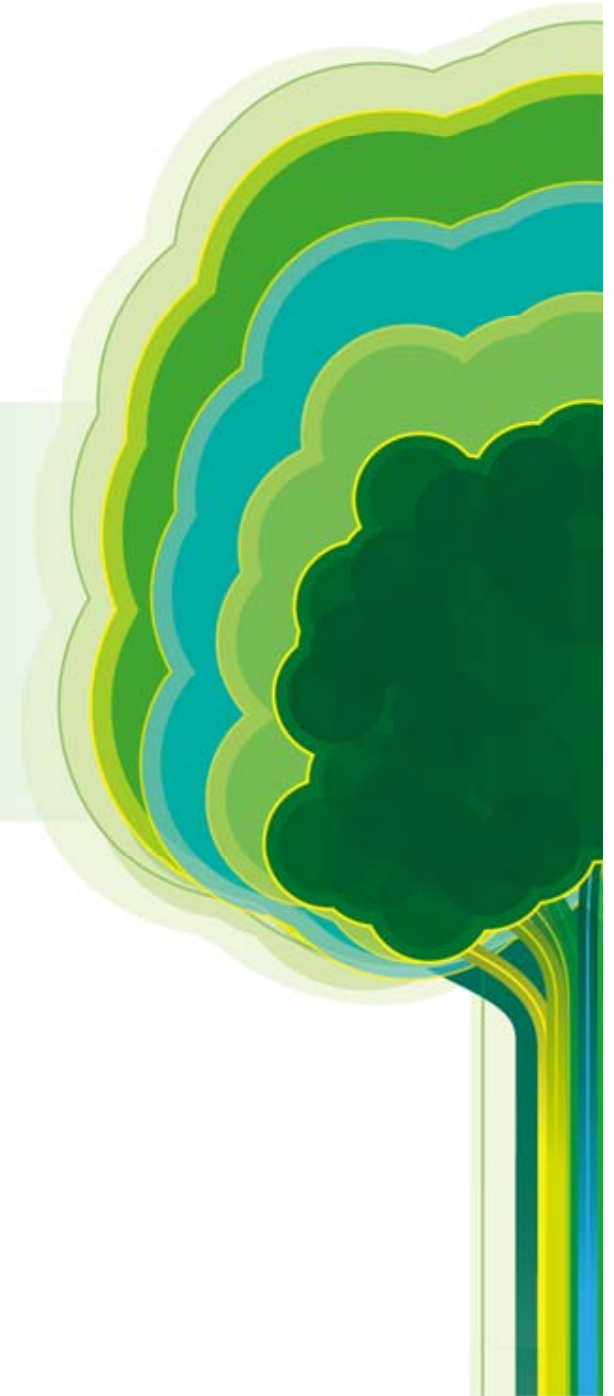
**Demand for wood fibre will continue to grow, especially for wood panels, furniture and interior wood fixtures**



## REGULATORY & POLICIES

- ✔ **Supportive forestry policies jointly issued by seven government ministries in Aug 2007**
  - ✔ Full or partial exemption of corporate income tax
  - ✔ Waive of forest/cultivation tax levy
- ✔ **Revitalization Plan for Forestry Industry (2010–2012)**
  - ✔ Preferential tax treatment for engaging in agri- and forestry projects
  - ✔ Bank loans with longer terms i.e. 1-5 years extended to 10-15 years
  - ✔ Encourage economies of scale, commercialize upstream operations, and identify industry-leading enterprises
  - ✔ Reform forest land use rights to expedite commercialization
- ✔ **Natural Forest Protection Program (2011-2020)**
  - ✔ Increase logging of plantation forest and reform state-owned plantations during 12<sup>th</sup> 5-year Plan
- ✔ **12th 5-year Plan (2011-2015) to further stimulate domestic spending**
  - ✔ Accelerate development of inland and rural regions
  - ✔ Promote industrialization, urbanization and agricultural modernization

# Strategic Plan



# OUR GOAL AND STRATEGY

Fibre Output Goal Sell 30 million m <sup>3</sup> by end of 2013				
(million m <sup>3</sup> )	2013e	2010	2009	10 vs 09 chg %
<b>Fibre output</b>	<b>30.0</b>	17.6	14.2	24

Plantation Goal Plant 200,000 ha by end of 2013				
('000 ha)	2013e	2010	2009	10 vs 09 Chg %
<b>Annual Planting</b>	<b>200</b>	30	19	58

## STRATEGY

- ✔ Increase forest plantation coverage by signing more purchase agreement at attractive price capped
- ✔ Diversify plantation portfolio geographically
- ✔ Plant with scientifically advanced seedlings
- ✔ Improve trees yield and convert to shorter growing cycle or fast-growing high yield plantations

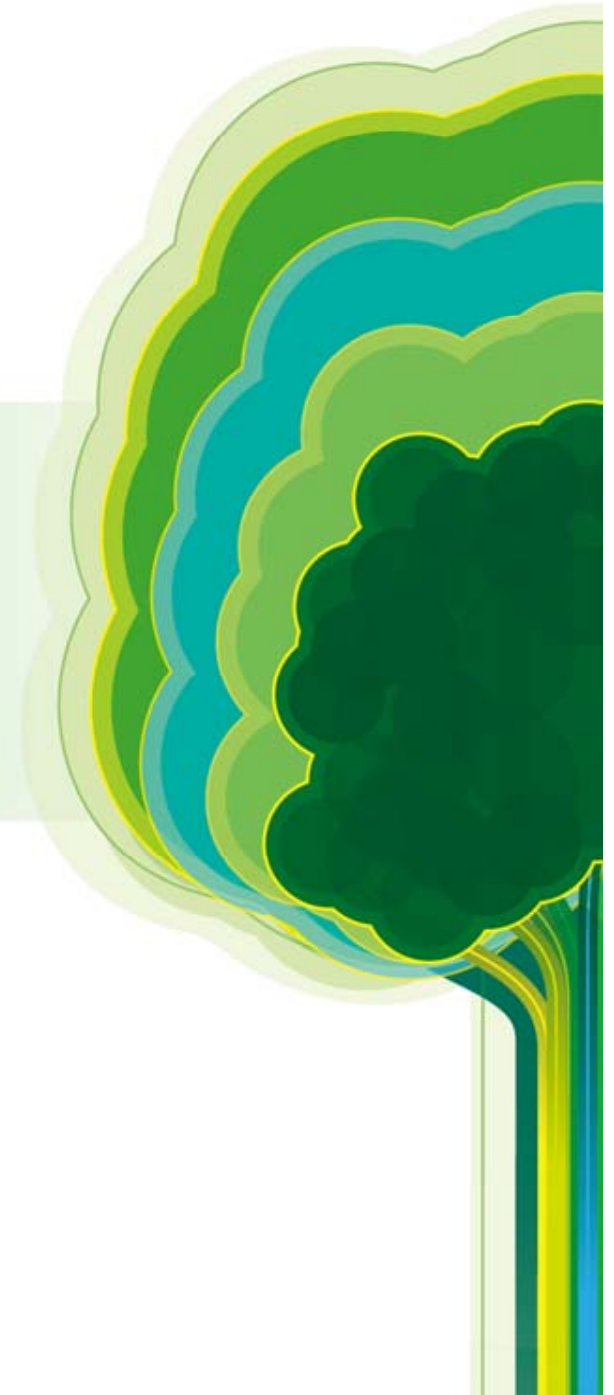


# OPTIMIZED BUSINESS MODEL ALIGNED WITH PRC GOVERNMENT POLICIES

Government Policies		Business Model
PRC 5-Year Plan	Aims to double area of FGHY <sup>(1)</sup> plantations to 13.3 million hectares by 2015	<ul style="list-style-type: none"> <li>Accelerate planting program</li> <li>Replant harvested plantations</li> <li>Participate in state-owned tree farms commercialization</li> </ul>
	Mandate to enrich lives of rural communities	<ul style="list-style-type: none"> <li>Acquire plantations from private-owners and village-collectives</li> <li>Set up wood processing facilities; create employments in rural area</li> <li>Create regional markets by attracting downstream manufacturers to region to develop local economy</li> </ul>
World-class Best Practices on Environmental Stewardships	Engage in sustainable forestry	<ul style="list-style-type: none"> <li>Sustainable forestry strategy developed in accordance with national and international standards                             <ul style="list-style-type: none"> <li>First commercial plantation operator in China to have obtained the Forest Stewardship Council (FSC) certification in 2004</li> </ul> </li> <li>Maintains Environment Management System to ensure responsible management of all plantation, trading and manufacturing operations</li> <li>Invest in R&amp;D to improve yield on plantation trees</li> </ul>

(1) FGHY: fast-growing, high-yielding

# Operations



# OPERATIONAL OVERVIEW

**Wood Fibre Operations**  
(96% of revenues)

## Plantation Fibre



- ✔ Cultivates and sells standing timber or harvested logs in southern and eastern China
- ✔ Classification: Purchased and Planted Plantations
- ✔ Sell mode: Standing timber (buyer conduct logging) and Harvested Logs
- ✔ Owns 866,600 <sup>(1)</sup> hectares of trees under management in the PRC
- ✔ Long-term agreements to acquire an additional 700,000 hectares in six provinces <sup>(1)</sup>
- ✔ FY 2010 revenue was US\$1.4 billion (73% of revenues); Q1 2011 revenue was US\$218 million (64% of revenues)

## Trading of Wood Logs



- ✔ Trading of imported and domestic wood logs and products
- ✔ Imports large diameter logs, sawn timber, veneer and other wood-based products for sale primarily within the PRC
- ✔ Products sourced from Russia, Latin America, Papua New Guinea others
- ✔ Domestic Wood logs - sources logs from PRC suppliers and sells to domestic market
- ✔ FY 2010 revenue was US\$454 million (23% of revenues); Q1 2011 revenue was US\$106 million (31% of revenues)

**Manufacturing and Other**  
(4% of revenues)



- ✔ Processes small diameter logs to produce value-add wood-based products
- ✔ Manufacturing plants complement upstream operations
- ✔ FY 2010 revenue was US\$69 million; Q1 2011 revenue was US\$13 million (4% of revenues)

**Subsidiary: Greenheart Group**



- ✔ Majority interest in Greenheart Group Limited, approx 59%(HKSE: 00094)
- ✔ Owns certain rights and manages approximately 312,000 hectares of hardwood forest concessions in Suriname, South America <sup>(3)</sup>
- ✔ Owns 11,000 ha of radiata pine plantation on 13,000 ha of freehold land in New Zealand<sup>(3)</sup>
- ✔ Q1 2011 revenue was US\$2 million (1% of revenues)

# PLANTATION FIBRE KEY STRATEGIC LOCATIONS

## First mover advantage

- Over 15 years of experience managing forestry plantations in China
- Recognized expertise in plantation trees cultivation
- Leading supplier of wood fibre in China

**Legend**

-  Executive Office
-  China Office
-  Manufacturing Operations
-  Long-term Wood Fibre and Forestry Regeneration

**Guizhou (Q1 2010):**

- Signed agreement to acquire 10.5-16.5M m<sup>3</sup> of fibre

**Hunan (Q4 2006):**

- Signed agreements to acquire 400,000 ha

**Shaanxi (Q1 2011):**

- Signed agreement to acquire 200,000 ha

**Yunnan (Q1 2007 & Q1 2011):**

- Signed agreement to acquire 200,000 ha
- Signed agreement to acquire 66,000 ha

**Guangxi (Q4 2007):**

- Signed agreement to acquire 150,000 ha

**Anhui & Jiangxi (Q1 2010):**

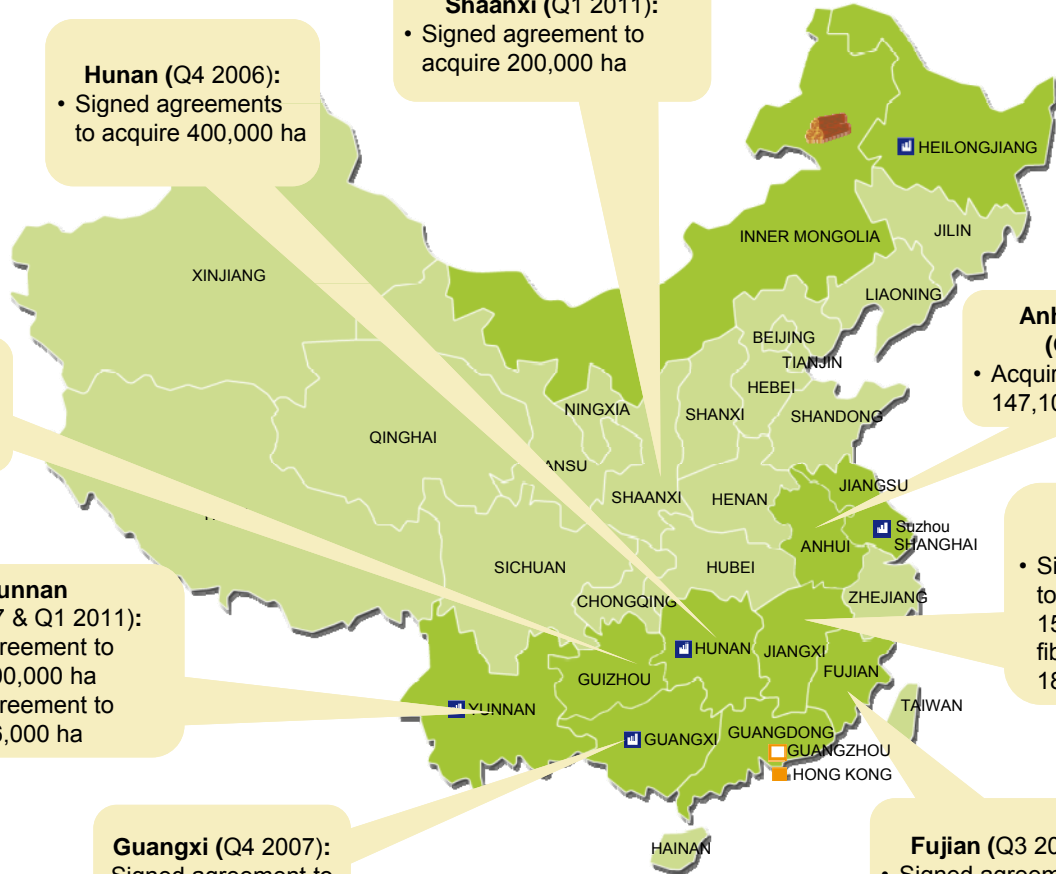
- Acquired Mandra's 147,100 ha

**Jiangxi (Q2 2009):**

- Signed agreement to acquire between 15 – 18M m<sup>3</sup> of fibre (~150,000 – 180,000 hectares)

**Fujian (Q3 2008):**

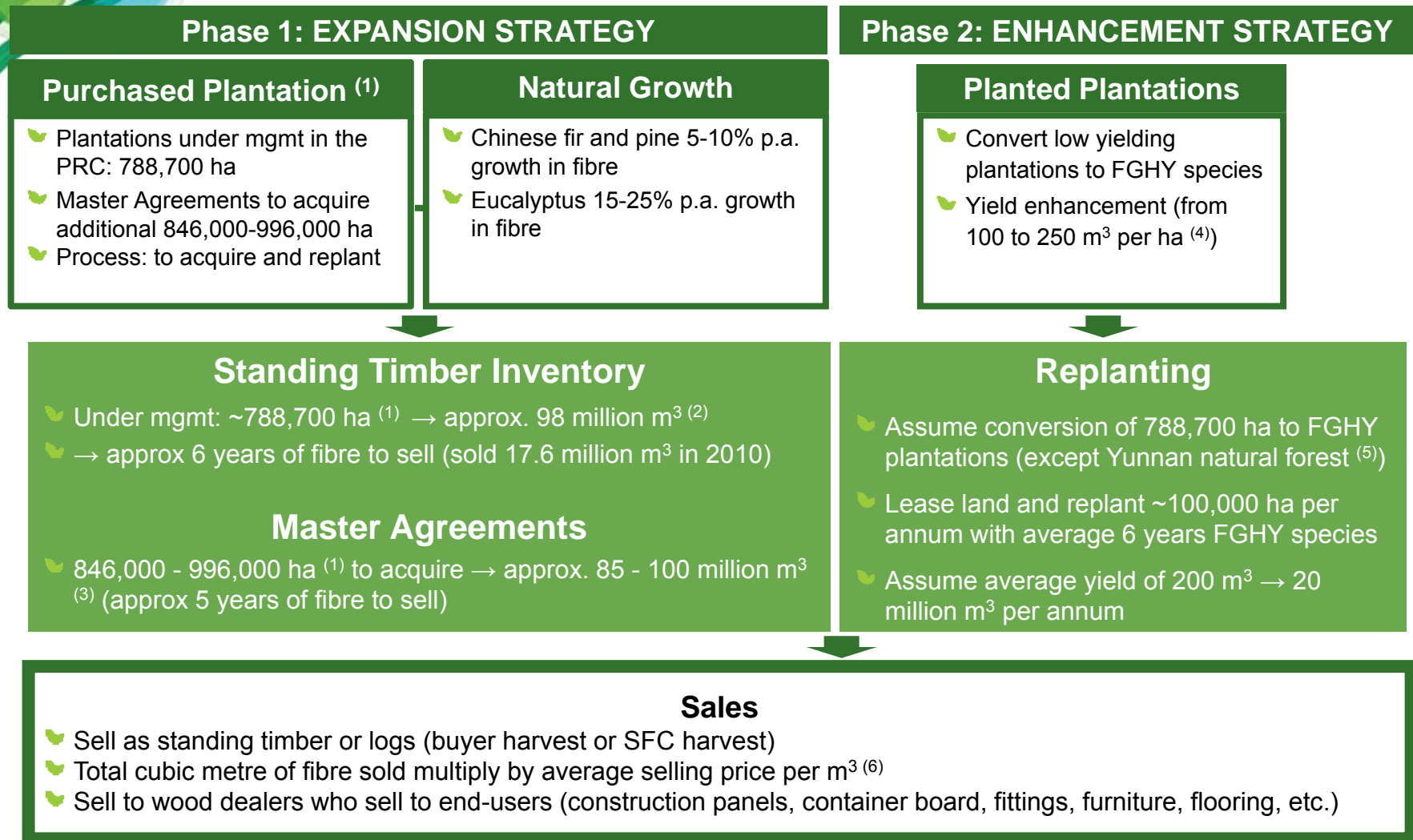
- Signed agreement to acquire 200,000 ha



**Sino-Forest provides one of the best ways to gain exposure to the PRC economic growth**

Plantations under management as of Mar 31, 2011 were approximately 866,600 hectares.

# OUR VALUE PROPOSITION



(1) As of Dec 31, 2010

(2) Assumes yield of 124 m<sup>3</sup>/ha, based on Pöyry's valuation

(3) Assumes average yield of 100 m<sup>3</sup>/ha

(4) Replanted eucalyptus in certain locations have already achieved 260m<sup>3</sup>/ha at age five

(5) Excludes Yunnan 186,700 ha

(6) Assumes US\$60/m<sup>3</sup>

# Long-Term Replanting Economics

## PHASE ONE PURCHASED MODEL

## PHASE TWO PLANTED MODEL (PERPETUAL PHASE)

Acquisition cost capped  
assures minimum profit

Replanting expands our  
gross profit +91%

- Multiple rotations
- More predictable and stable cash flows

		\$65	\$65
<b>Gross Profit Per m<sup>3</sup> +91%</b>	Gross profit:	<b>\$27.5 per m<sup>3</sup></b>	<b>\$52.5 per m<sup>3</sup></b>
	Cost:	\$37.5 <sup>(1)</sup>	\$12.5 <sup>(2)</sup>
	Yield:	<b>100 m<sup>3</sup>/ha</b> (Purchased holding)	<b>200 m<sup>3</sup>/ha</b> (Improved through R&D)
		→ (After 3 yrs)	
<b>Gross Profit per ha +218%</b>	Gross profit:	<b>\$3,300 per hectare</b>	<b>\$10,500 per hectare</b>

Notes:

(1) Acquisition cost approximately US\$45/m<sup>3</sup> and assumed trees are held for 3 years

(2) Assumes planting cost for 6-yr cycle eucalyptus: US\$2,500/ha and a yield of 200 m<sup>3</sup>/ha

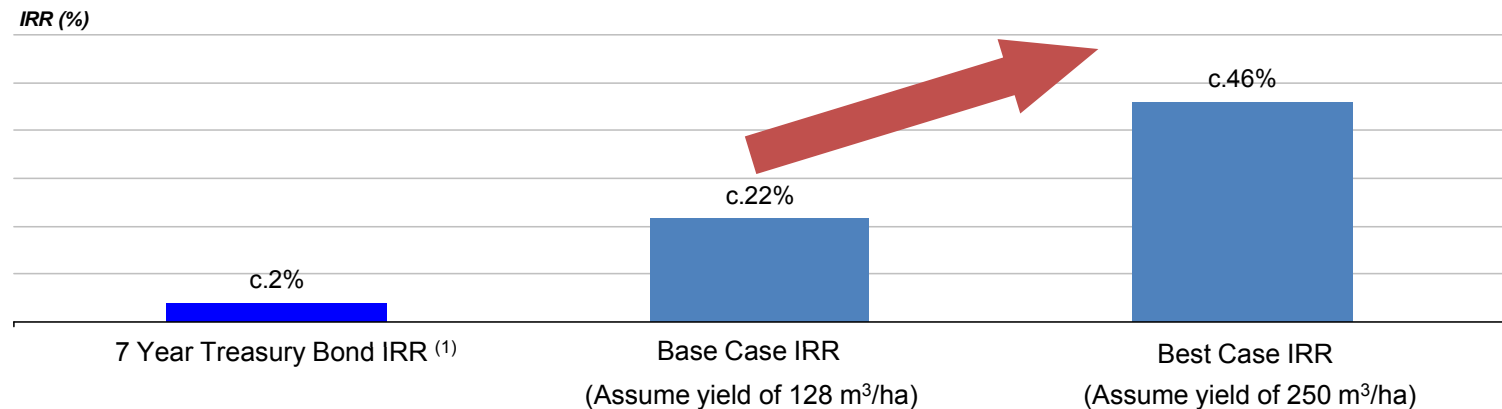


# RESEARCH & DEVELOPMENT CAPABILITIES

- ✔ Leverage advanced global planting and silviculture practices adapted for the Chinese environment
- ✔ Investment in R&D to enhance quality of fibre, increase harvest yield and reduce cultivation costs
  - ✔ Cooperates with academic and scientific institutions in the PRC
  - ✔ Certain plots of replanted eucalyptus have already achieved 260 m<sup>3</sup>/ha at age five

## Significant Eucalyptus Return Upside through R&D and Yield Improvement

### Illustrative Eucalyptus return calculation



### Assumptions

- ✔ Cost of replanting eucalyptus plantation is approx. US\$2,000/ha <sup>(2)</sup>
- ✔ Other costs are harvesting related costs that only incur when plantation is harvested <sup>(3)</sup>
- ✔ Plantation is harvested on the 6<sup>th</sup> year
- ✔ Eucalyptus value at year 6 end is calculated using average selling price \* volume <sup>(4)</sup>

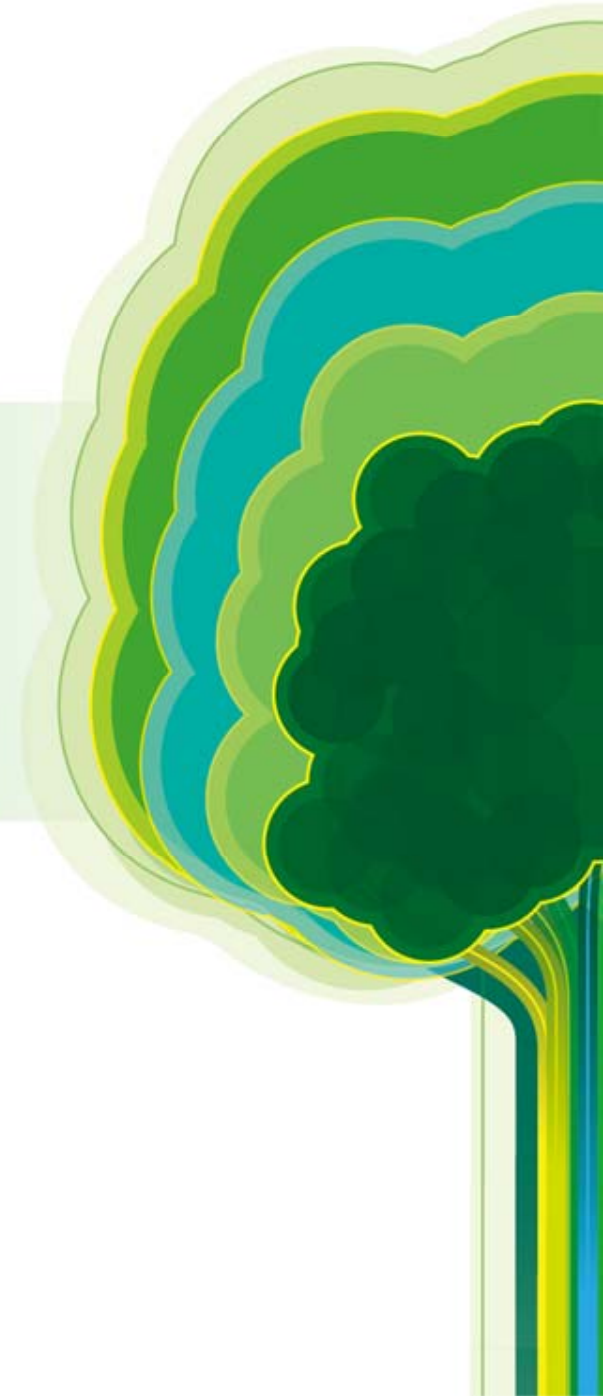
(1) Assumes interest from the T-bond is re-invested receiving the same interest rate and a coupon rate of 1.875% as of Oct 8 2010

(2) Management estimated replanting cost that includes land rental, crop maintenance and protection costs

(3) Management estimated costs include harvesting and roading costs, cartage costs, management and admin. overhead, indirect costs, marketing overhead and inventory & survey fee of approximately US\$3,700/ha

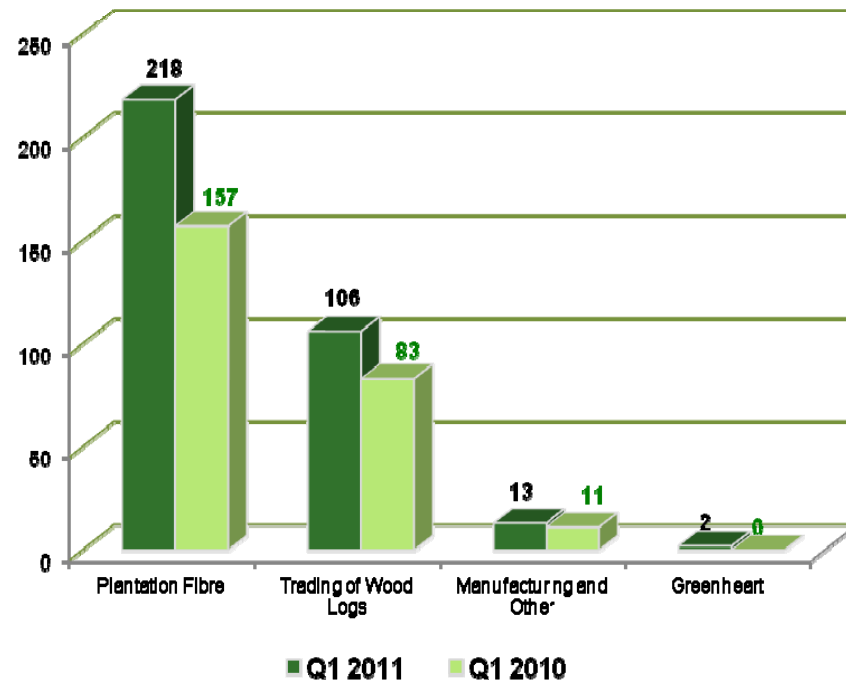
(4) Management estimated logs average selling price of approximately US\$70/m<sup>3</sup>

# Q1 2011 Financial Highlights



## REVENUE OVERVIEW

- **Total revenue grew 35% to \$339 million in Q1 2011**
- **34% increase in EBITDA to \$192 million**
  - Increase of 39% in sales of plantation fibre and 28% in the trading of logs
  - Ongoing demand for wood fibre
  - Increases in log prices



# FINANCIAL HIGHLIGHTS

*(US\$ in M); except EPS*

	FIRST QUARTER		
	2011	2010	Chg%
<b>Revenue</b>	<b>338.9</b>	251.0	35
<b>Gross Profit</b>	<b>125.8</b>	98.2	28
<b>Gross Profit Margin</b>	<b>37%</b>	39%	(2 pt)
<b>EBITDA</b>	<b>192.1</b>	142.9	34
<b>Net (Loss) / Income</b>	<b>(22.1)</b>	15.9	n.a.
<b>Diluted (Loss) / Earnings Per Share</b>	<b>(0.08)</b>	0.07	n.a.
<b>Cash Flow From Operating Activites</b>	<b>(121.5)</b>	(122.0)	n.a.

## SEGMENT: PLANTATION FIBRE

	FIRST QUARTER		
	2011	2010	Chg%
<b>Revenue (US\$ in M)</b>	<b>218.2</b>	156.8	39
– Standing timber	<b>215.2</b>	86.9	148
– Logs	<b>3.0</b>	69.9	(96)
<b>ASP (US\$/hectare)</b>	<b>13,842</b>	12,643	9
– Standing timber	<b>14,341</b>	16,125	(11)
– Logs	<b>3,955</b>	9,965	(60)
<b>ASP (US\$/m<sup>3</sup>)</b>	<b>89</b>	84	6
– Standing timber	<b>90</b>	89	0
– Logs	<b>54</b>	79	(31)
<b>Gross Profit (US\$/m<sup>3</sup>)</b>			
– Standing timber	<b>44</b>	49	(10)
– Logs	<b>43</b>	38	15

- **Plantation fibre sales comprised 64.4% of total revenue in Q1 2011**

## SEGMENT: PLANTATION FIBRE

	FIRST QUARTER		
	2011	2010	Chg%
<b>Volume Sold ('000 m<sup>3</sup>)</b>	<b>2,455</b>	1,861	32
– Standing timber	<b>2,400</b>	971	147
– Logs	<b>55</b>	890	(94)
<b>Total Hectares Sold</b>	<b>15,767</b>	12,401	27
– Standing timber	<b>15,009</b>	5,391	178
– Logs	<b>758</b>	7,010	(89)
<b>Average Yield (m<sup>3</sup>)</b>	<b>156</b>	150	4
– Standing timber	<b>160</b>	180	(11)
– Logs	<b>73</b>	127	(43)

- **Sold approximately 9,868 hectares of plantations acquired under MAs in Q1 2011, mainly in Guangxi, Yunnan and Hunan**





## SEGMENT: TRADING OF WOOD PRODUCTS AND LOGS

<i>(US\$ in M)</i>	FIRST QUARTER		
	2011	2010	Chg%
Revenue	106.2	82.9	28

- Revenue from trading of imported and domestic wood products increase primarily due to different mix of species of wood logs traded with relatively higher volume of logs of higher average price sold
- Trading of wood logs sales comprised 31.3% of total revenue in Q1 2011
- Gross profit margin decreased from 6.3% to 5.2% in Q1 2011

## SEGMENT: MANUFACTURING AND OTHER OPERATIONS

(US\$ in M)	FIRST QUARTER		
	2011	2010	Chg%
Revenue	12.9	11.3	14

- **Gross profit margin decreased from 12.8% to 5.9% in Q1 2011, mainly due to a fall in ASP as a result of increased competition in the wood flooring business segment.**





## SEGMENT: GREENHEART GROUP

<i>(US\$ in M)</i>	FIRST QUARTER		
	2011	2010	Chg%
Revenue	1.7	-	-

- **Suriname: 312,000 ha of concession tropical forest; building two facilities**
- **New Zealand: 11,000 ha of softwood plantation**
- **Investigating opportunities in Brazil, Peru, Africa and Asia Pacific Region**

## CAPITAL EXPENDITURES

(US\$ in M)	FIRST QUARTER		
	2011	2010	Chg%
<b>Plantation acquisition</b>	<b>474.6</b>	188.9	151
<i>Hectares acquired</i>	<b>100,034</b>	37,304	168
<b>Re-planting of plantations &amp; maintenance</b>	<b>3.8</b>	7.2	(47)
<b>Manufacturing and others</b>	<b>8.8</b>	2.1	319
<b>Business acquisition</b>	-	17.9	-
<i>Hectares acquired</i>	-	86,786	-
<b>Total:</b>	<b>487.2</b>	216.1	125

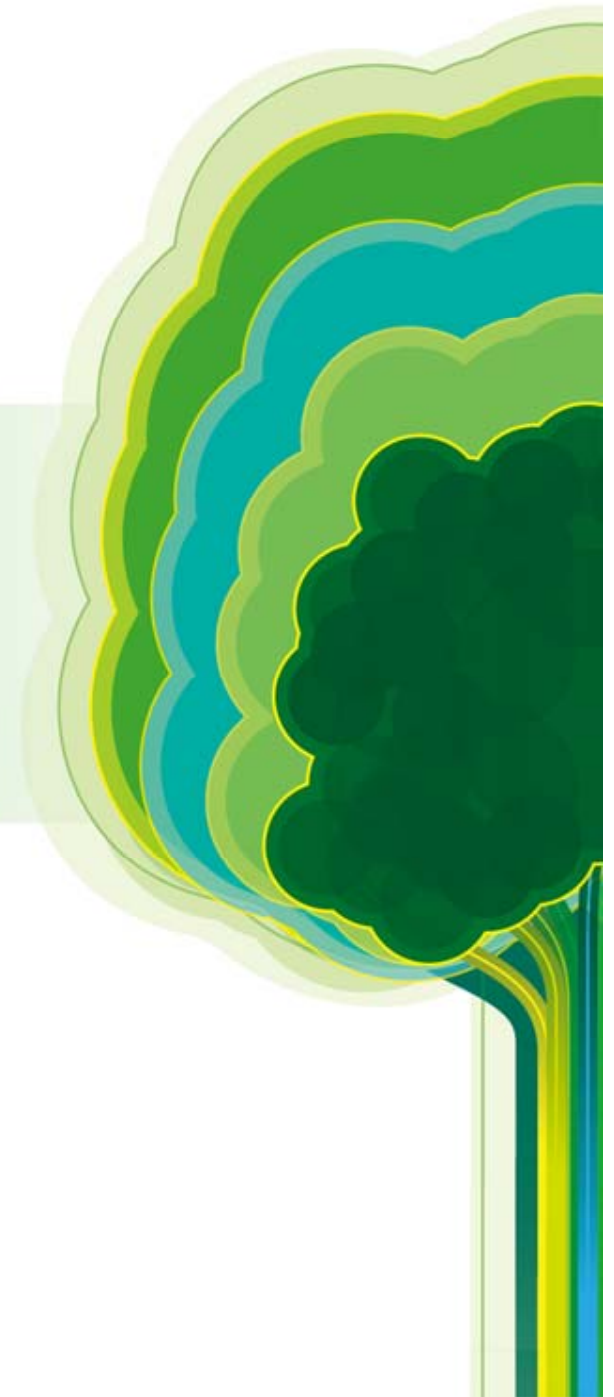
- **Acquired mostly in Yunnan, Guangxi and Jiangxi under MAs**
- **Capital expenditure for 2011 will be reviewed in coming months and be adjusted as necessary**
- **Replanting of 200,000 hectares in the next two to three years remain top priority**

## BALANCE SHEET HIGHLIGHTS

<i>(US\$ in M)</i>	Mar 31, 2011	Dec 31, 2010	Chg%
<b>Cash &amp; short-term deposits</b>	<b>1,088.1</b>	1,255.5	(13)
<b>Long-term debt (inc. current portion of long-term debt)</b>	<b>1,641.4</b>	1,628.8	1
<b>Shareholders' equity</b>	<b>2,933.9</b>	2,921.5	0
<b>Current ratio</b>	<b>6.56</b>	6.40	3
<b>Long-term debt / equity ratio</b>	<b>0.56</b>	0.56	0

- **Strong balance sheet and cash on hand**
- **Long-term debt /equity ratio of 0.56 to 1 (post \$600 M financing in Oct 2010) still conservative**

# Transition to IFRS





# IMPACT OF IFRS

## Material Impact

### i) Net Income

- Accounting aspect of financing strategy, Convertible Senior Notes due 2013 and 2016, IFRS requires to fair value options as an embedded derivative liability
- **Stock price increases**
  - Equity convert option becomes more valuable or more costly to the company, charge to the income statement
  - As at Mar 31, 2011, share price Cdn\$25.30 resulted in a charge to income statement of approx. \$53 million.
- **Stock price decreases**
  - Equity convert option becomes less valuable, gain recorded in the income statement
  - As at Jun 10, 2011, share price Cdn\$4.47, record a gain from fair valuing the option of approx. \$450 million Q2 2011 income statement.
- **Remove stock price volatility**
  - Directors passed resolution to approve amendment of certain language in Convertible Notes
  - Volatility of stock market price will no longer affect reported Net Income after Q2 2011





## IMPACT OF IFRS

### **Routine Adjustments**

#### **ii) Income tax**

- Actual provision not materially affected in Q1 2011
- Assesses income tax by applying the rate of 15% for operations in all provinces in the PRC
- Additional non-cash tax charge in Q1 2011 of approx. \$6.0 million

#### **iii) Selling & administrative expenses**

- Q1 2011 includes consolidated results of Greenheart Group including S&A expenses approx. \$5.8 million
- Q1 2011 S&A expenses rose from \$23.0 million in Q1 2010 to \$30.3 million in Q1 2011



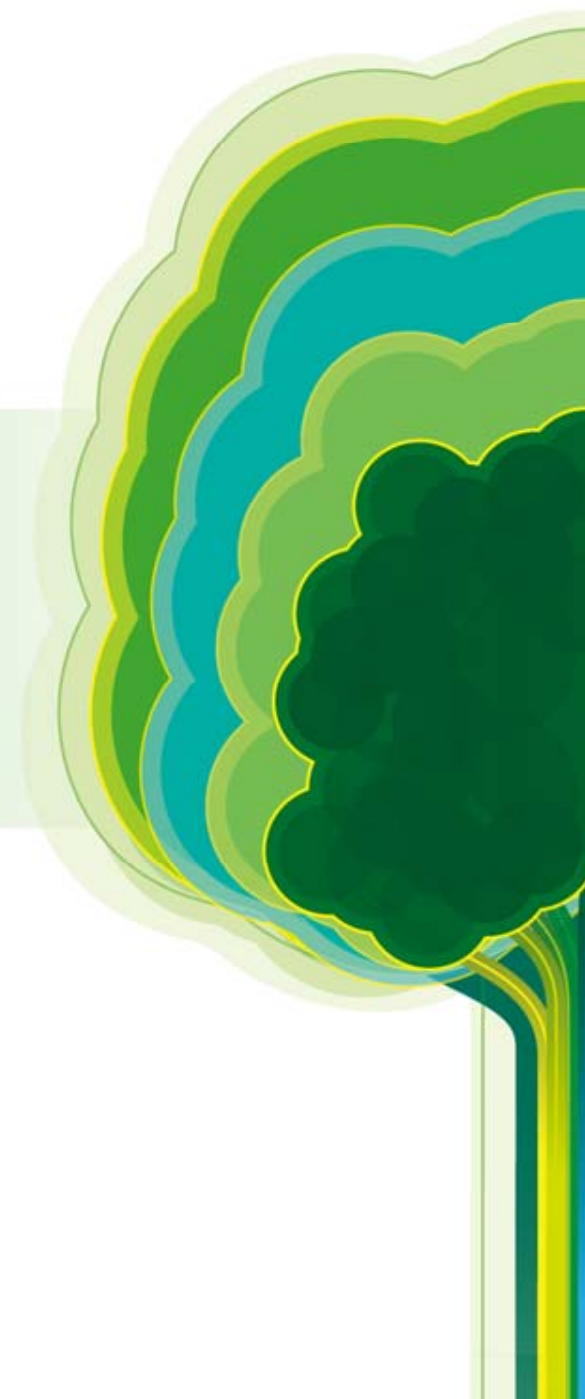
## Reconcile Q1 2011 VS Q1 2010

### Reconcile reported results for comparing Q1 2011 to Q1 2010

- Add charge for fair-valuing equity component of Convertible Notes
- Add one-time non-tax charge of approx. \$6 million
- Add Greenheart SG&A of approx. \$5.8 million
- Result in **Net Income of approx. \$42 million & EPS of \$0.19 cents**

# Allen Chan

Chairman and Chief Executive Officer





## BUSINESS OUTLOOK

- **Delivered good operating and financial results in Q1 2011**
- **Solid foundation for building a larger and more productive portfolio of plantations across China**
  - Outlook for Chinese forestry sector remains positive for 2011; benefiting from strong economic growth, driven by broad-based industrialization and massive urbanization
- **Sino-Forest 16 years of solid track record:**
  - \$1.1 billion in cash and \$3.6 billion of standing timber assets
  - Can continue to grow through acquisitions and sustainable long-term replanting without tapping into the capital markets



## EXPANDING GEOGRAPHICALLY

### **Signed New Master Agreements to Acquire 266,000 Hectares**

- Further expand operations into highly populated inland provinces with high projected economic growth and substantial demand for wood products for construction and manufacturing
  - Shaanxi - approximately 200,000 hectares
  - Yunnan - approximately 66,000 hectare
- Trees diameter between 15 – 40cm and age range 25 – 50
- Tree species primarily pine, Chinese fir and broadleaf
- Average yield approximately 90 m<sup>3</sup> per hectare
- Fibre acquisition will take place over a ten-year period , price capped at RMB320 (US\$49) per m<sup>3</sup>
- Rights to lease the underlying plantation land at a price not to exceed RMB525 (US\$80) per hectare per annum for 30 – 50 years



## TRANSITION TOWARD SUSTAINABLE PLANTATION OPERATIONS

### “Planting Trees for China”

- **Planting of 200,000 hectares by end of 2013 with scientifically advanced seedlings**
- **Progress**
  - Identified and secured suitable lands
  - Preparation of sites in progress

# Discussion of Recent Allegations







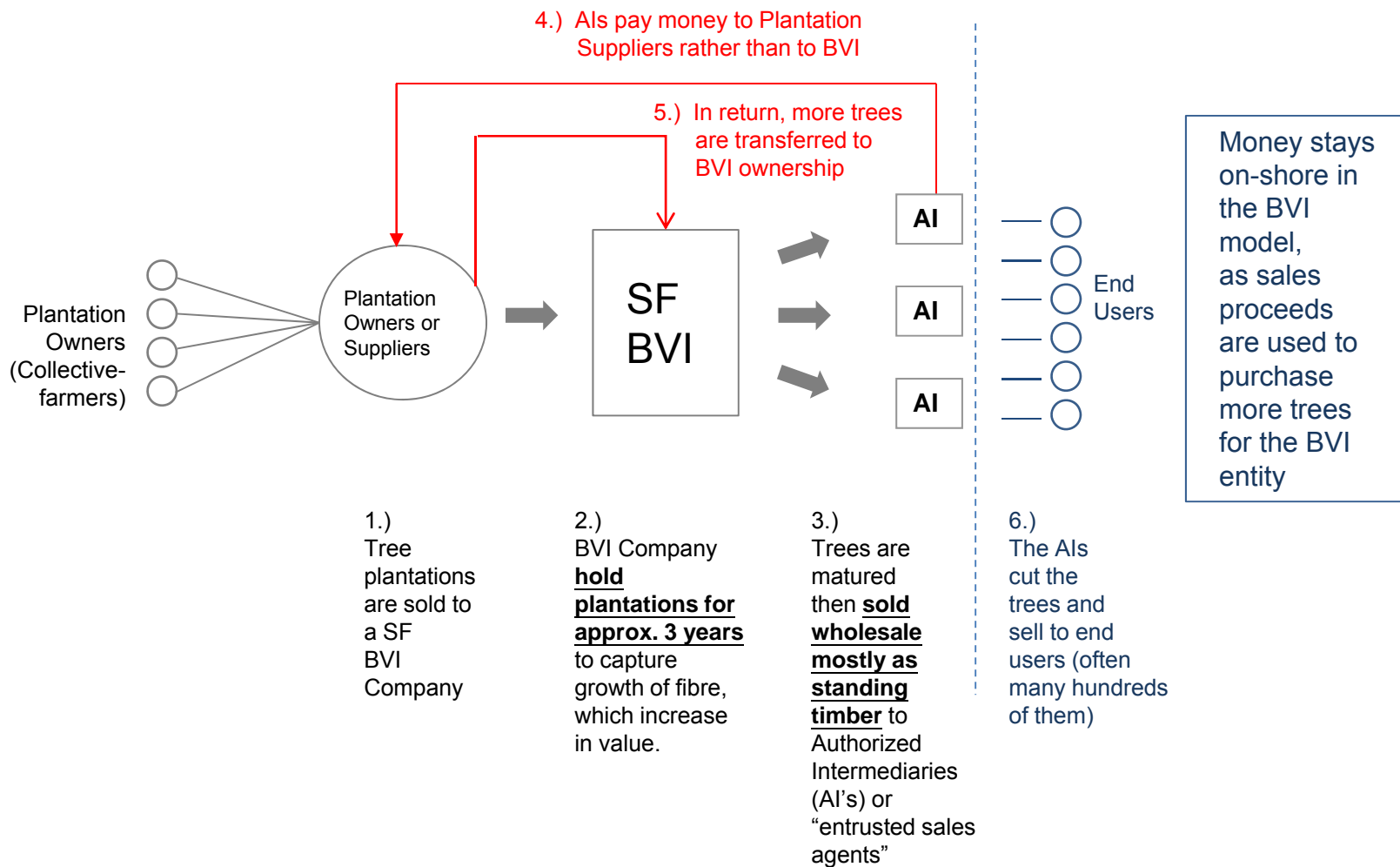
## CONFIDENT AMID RECENT NEGATIVE NEWS

### **Allegations affected price of our securities**

- No inaccuracy in reports and filings
- Deeply disappointed for our shareholders
- Formed special committee of independent and financially qualified directors to examine the allegations
- Continue to focus on business strategy of expanding operations
- Strongly believe our reputation will be redeemed in due course

# ROLE OF AUTHORIZED INTERMEDIARIES

## Purchased Plantation Model



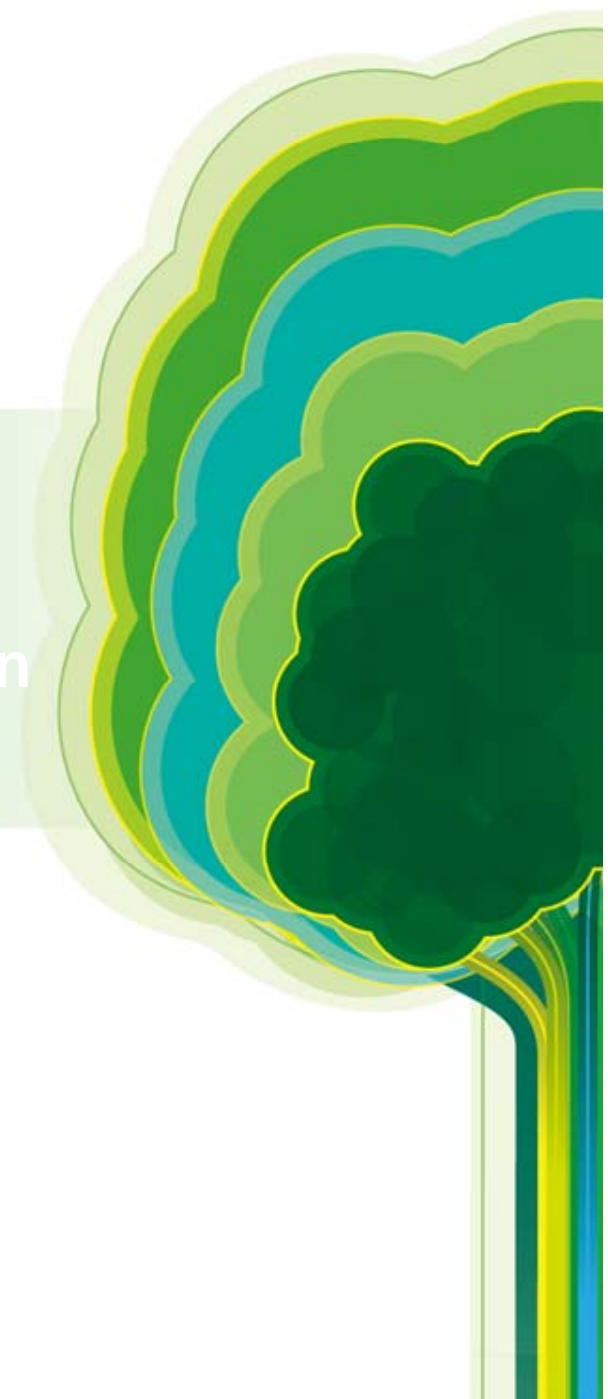


## MUDDY WATERS' REPORT ERRORS

- **WRONG** “Transporting the harvested logs would have required over 50,000 trucks driving on two lane roads winding through the mountains from this remote region, which is far beyond belief (and likely road capacity).”
- **WRONG** “The value of purchases made under Yunnan master agreement is overstated by approximately \$800 million.”
- **WRONG** “For accounting purposes, TRE treats the AI as being both supplier and customer in transactions.”
- **WRONG** “TRE's board appears to be the retirement plan for partners of its auditors, Ernst & Young. It currently has five directors on its board from E&Y.”

# Bill Ardell

Lead Independent Director & Chairman  
of the Independent Committee





## TIMELINE OF EVENTS

### **Sino-Forest's Board of Directors has acted quickly and decisively since the release of the Muddy Water's report:**

- 2 June – Release of report
- 3 June – Special Independent Committee was set up made up of independent directors with financial expertise and deep knowledge of the forestry sector [or provide language to describe of independent committee members]
- 3 June – Independent Committee legal counsels
  - Osler, Hoskin & Harcourt, LLP - a leading Canadian law firm
  - Mallesons Stephen Jacques – a leading international law firm with offices in Beijing, Shanghai and Hong Kong
  - Jun He Law Offices – a leading Chinese law firm
- 6 June – Independent Committee appointed Pricewaterhouse Coopers (PwC) as the independent accounting firm to assist with the investigations
- 7 June - TSX and IIROC asked to investigate trading of Company's shares by Muddy Waters and its associates
- 8 June – Ontario Securities Commission opens investigation



## SCOPE OF PwC's WORK

- **Mandate is a wide-ranging one—to assist the Independent Committee in its examination and review of the allegations put forth in the Muddy Waters Report.**
- **Expectations that PwC will initially focus their work on allegations relating to the last five years (commencing on January 1, 2006), but their mandate is not restricted in this regard.**
  - Initial steps include securing data, confirming basic corporate data and, going forward, will involve a review of ownership and valuation of assets, revenue and other key items related to the allegations.
- **The Independent Committee expects to report to the Board from time to time as material matters are reviewed.**

# TRADING DYNAMICS (TSX:TRE)

## FIRST QUARTER 2011

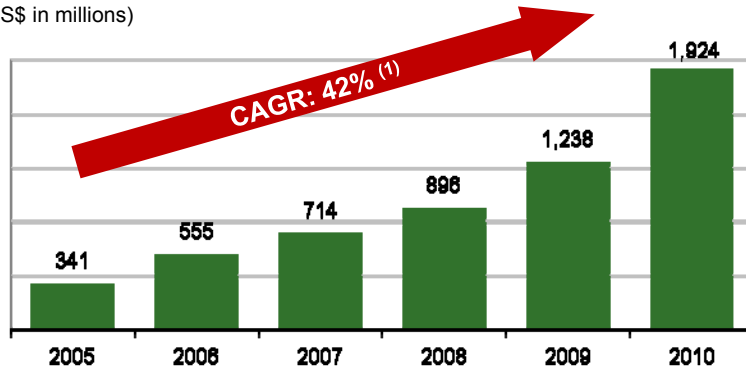
<b>No. of shares outstanding as of Q1 2011</b>		245,740,889
<b>Share price <sup>(1)</sup></b>	<i>Cdn\$</i>	2.30
	<i>US\$</i>	2.35 <sup>(2)</sup>
<b>Market capitalization</b>	<i>Cdn\$</i>	565 million
	<i>US\$</i>	578 million
<b>52-week range</b>	<i>Cdn\$</i>	1.29 – 25.85
<b>2011 Diluted EPS (trailing)</b>	<i>US\$</i>	1.30
<i>All amounts based in US\$</i>		
<b>Cash and cash equivalents</b>	<i>US\$</i>	1.1 billion
<b>Timber Holdings (Standing timber assets)</b>	<i>US\$</i>	3.6 billion
<b>NAV per share</b>		12.23
<b>Price to Earnings</b>		1.81
<b>Price to Book</b>		0.19
<b>Net Debt / Total Capital</b>		30%
<b>Net Debt / Equity</b>		59%
<b>Long-term Debt / Equity</b>		33%
<b>Plantation under management in the PRC</b>		866,600 hectares



# HISTORICAL FINANCIAL PERFORMANCE

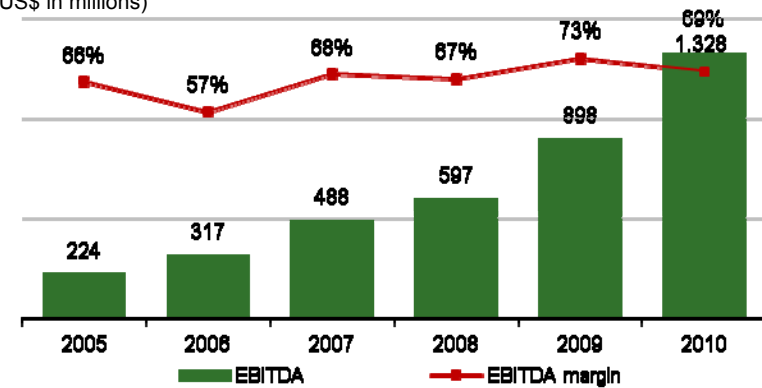
## Growing Revenue

(US\$ in millions)



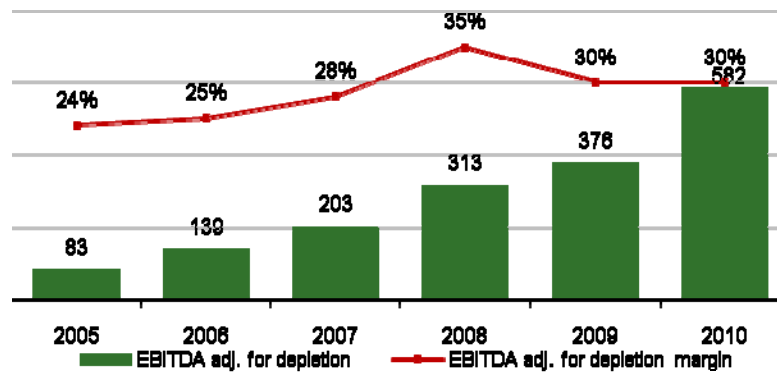
## Growing EBITDA and Stable Margin

(US\$ in millions)



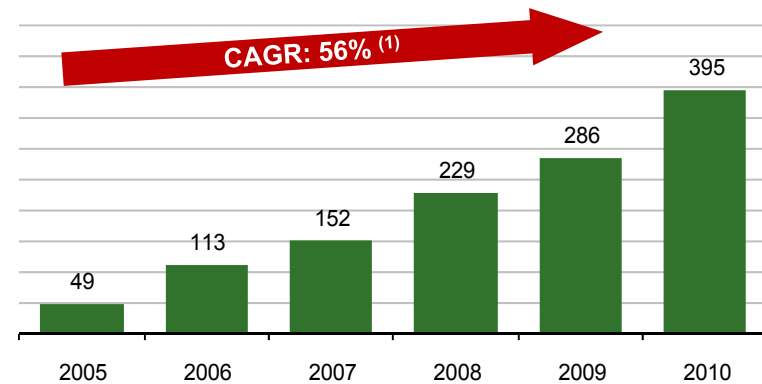
## Growing EBITDA Adj. for Depletion and Stable Margin

(US\$ in millions)



## Growing Net Income

(US\$ in millions)

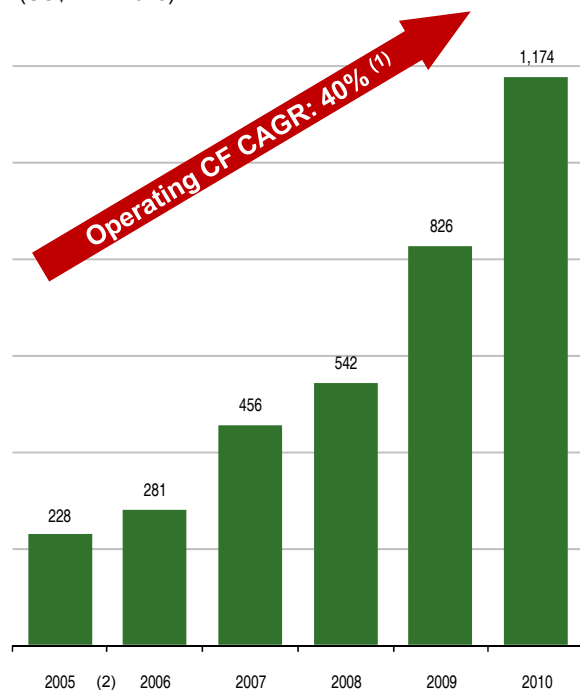


(1) CAGR for period from 2005 – 2010

# HISTORICAL FINANCIAL PERFORMANCE (CONT'D)

## Operating Cash Flows

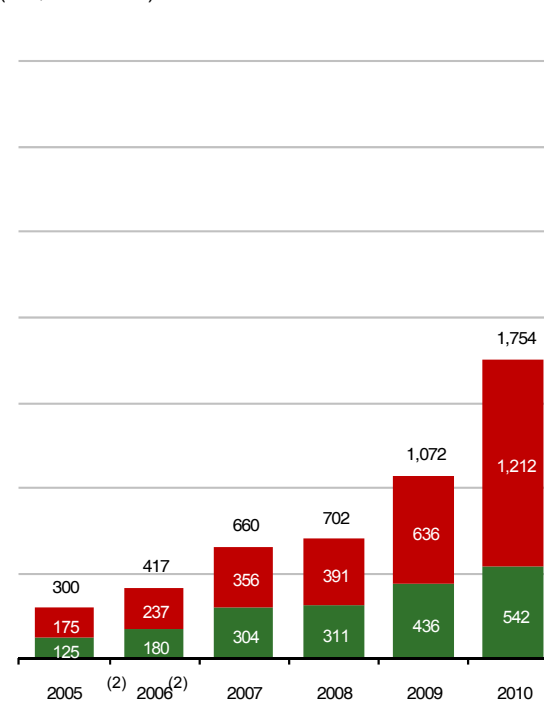
(US\$ in millions)



■ Operating cash flows before changes in working capital <sup>(3)</sup>

## Capital Expenditures

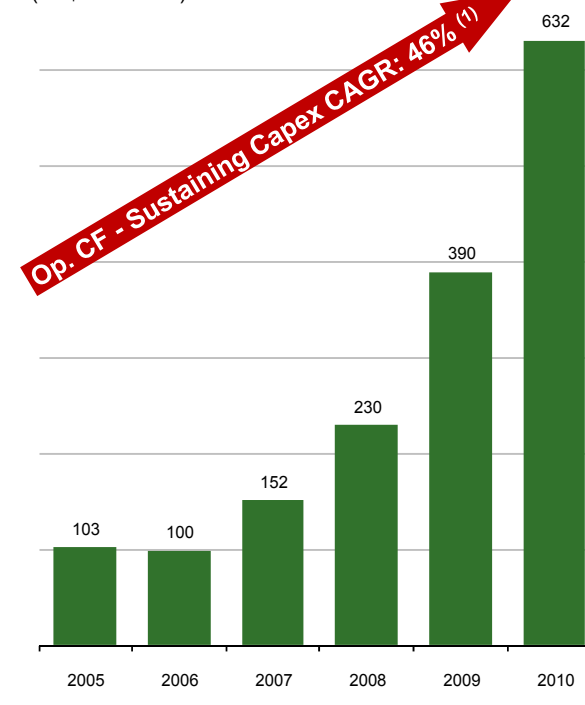
(US\$ in millions)



■ Sustaining ■ Growth <sup>(4)</sup>

## Operating Cash Flow – Sustaining Capex

(US\$ in millions)



■ Operating cash flows before changes in working capital - sustaining capex <sup>(4)</sup>

Note: 2005 – 2008 figures not adjusted for Gaoyao discontinued operations

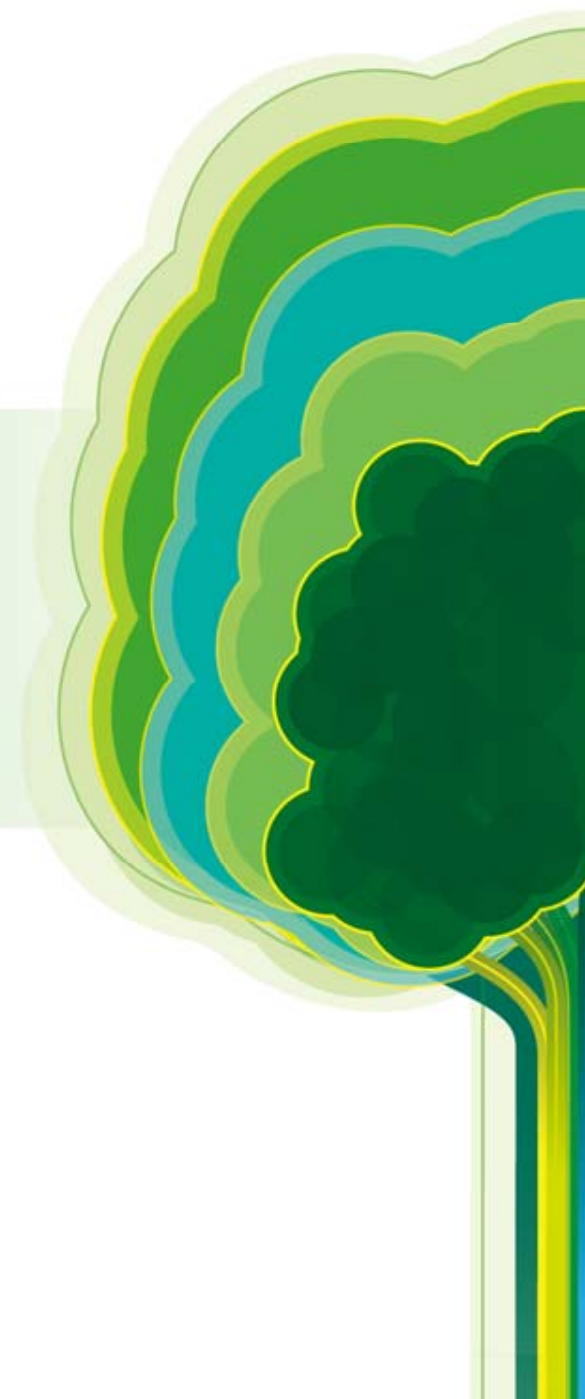
(1) CAGR for period from 2005 – 2010

(2) Figures are not restated to exclude discontinued operations and tax contingency

(3) Based on operating cash flow from continuing operations before changes in working capital reported in Company's financial statements

(4) Sustaining capital expenditures estimated as cost of replacing harvested fibre at RMB 140 (US\$16.97) /m<sup>3</sup>, RMB 162 (US\$19.99) /m<sup>3</sup> and RMB 183 (US\$23.36) /m<sup>3</sup> for 2004, 2005 and 2006, respectively and RMB 210/m<sup>3</sup> (US\$30.75/m<sup>3</sup>) for 2007, 2008, 2009 and 2010; cost assumes a 3 year holding period

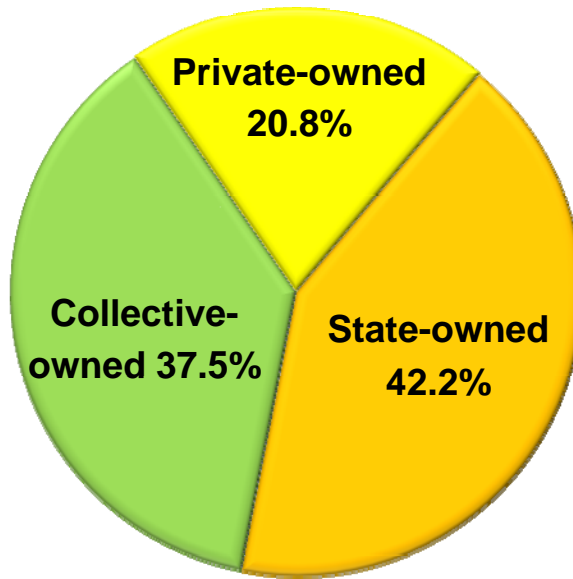
# Appendix



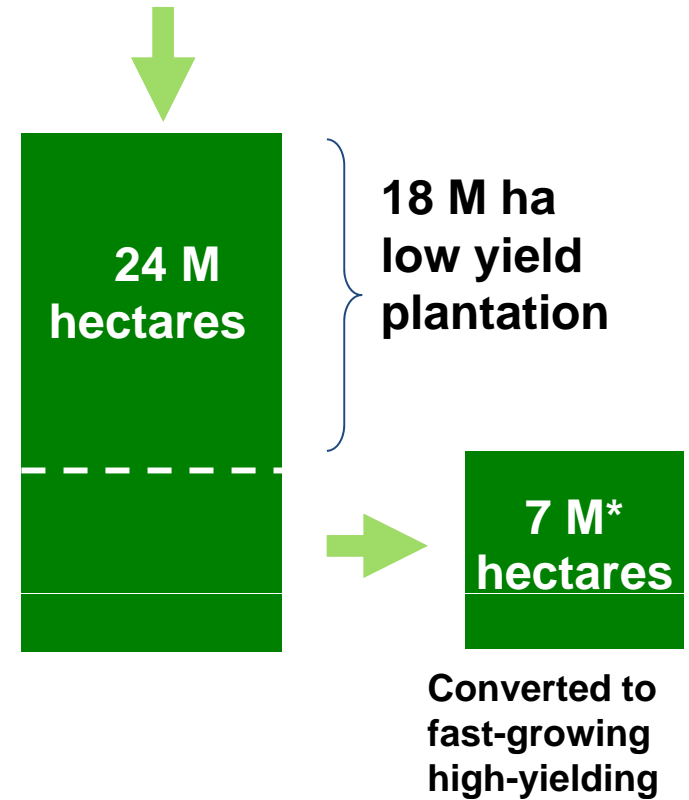
# CHINA'S LAND USE FOR PLANTATION FORESTS

\*China aims to double FGHY plantations to 13.3 M by 2015

## Wood Fibre Ownership (based on 175 M forested area)



## Plantation Forest *fibre designated for commercial/industrial use*



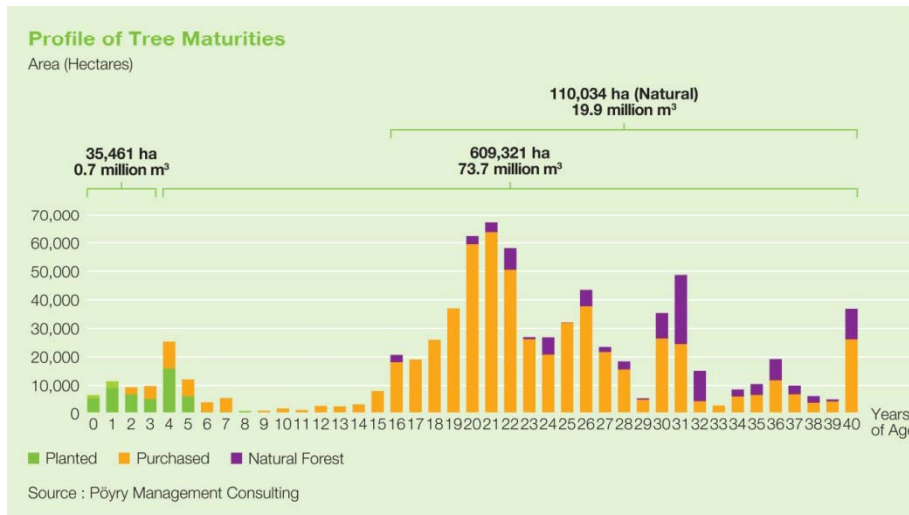
# PLANTATIONS UNDER MANAGEMENT IN CHINA

- A total of 788,700 hectares in nine provinces under Purchased Plantations and Planted Plantations models:

<i>As at December 31, 2010</i>		Hectare managed	
Region in China	Provinces	Purchased Plantations	Planted Plantations
East	Anhui	104,000	-
	Yunnan	186,700	-
South West	Guizhou	42,800	-
	Sichuan	10,600	-
South Central	Hunan	148,700	18,800
South East	Jiangxi	108,700	6,600
	Fujian	9,600	400
South	Guangxi	90,700	13,000
	Guangdong	9,200	38,900
	Total	711,000	77,700

# SINO-FOREST FOREST PLANTATION ASSET

## Sino-Forest Tree Maturities\* as of December 31, 2010



\* Total area measured by Poyry was 753,000 ha. Approx. 35,700 ha was excluded because areas were recently harvested or allocated for bio-fuel and others purposes.

Source: Pöyry

## Forest Area and Asset Valuation



# FORESTRY OPERATIONS & LONG-TERM DEALS



Plantations under management as of Mar 31, 2011 were approximately 866,600 hectares.