

Summary of Sino-Forest's China Forest Asset 2010 Valuation Reports

The yearly forest asset valuation conducted by Pöyry (Beijing) Consulting Company Limited ("Pöyry"), an international forestry consulting firm on behalf of Sino-Forest Corporation ("Sino-Forest") was released on May 27, 2011.

The following summary has been jointly prepared by Sino-Forest and Pöyry to highlight key findings and outcomes from the 2010 valuation reports.

1. Valuation Key Findings and Outcomes

The valuation reports consist of three asset valuations of Sino-Forest's China forest crops as at December 31, 2010:

- Valuation of Planted Forest Crops
- Valuation of Purchased Forest Crops
- Valuation of Mandra Forestry Holdings Limited ("Mandra") Forest Estate Crops*

The content of the Pöyry's 2010 valuation reports is consistent with Pöyry's 2009 report, with valuation information as follows:

- Forest Valuation Methodology
- Log Market and Price Outlook
- Risks
- Investment Appraisal for Forest Investment in China

Summary of the Reports:

Sino-Forest had approximately 788,700 hectares ("ha") of forest plantations under management in China as at December 31, 2010, which includes approximately 147,200 ha of Mandra forest assets acquired in February 2010. However, the total net stock area valued by Pöyry was 754,816 ha, after excluding 33,884 ha that were recently harvested, located on land leased pending planting season or land allocated for bio-fuel, carbon credit development and other purposes.

Pöyry estimated the market value of Sino-Forest's forest assets on the 754,816 ha, based on a single rotation using a pre-tax discount rate of 11.5%, to be approximately US\$3.135 billion as at December 31, 2010.

The 36% increase in market value from US\$2.298 billion in 2009 to US\$3.135 billion in 2010 was largely attributable to the growth and value increment associated with the existing owned forests, and the increase in the area of owned forest through net acquisition. While there was an increase in log prices in China of approximately 2% (real) compared to 2009, there were also increases in harvest-related costs; as a result, the net impact of stumpage increases on total asset value was only 4%.

The following table presents key statistics from Pöyry's valuation report:

	As at December 31		
	2010	2009	Change (%)
Valuation based on single rotation ¹ of net tree area (US\$' in billions)	3.135	2.298	36
Sino-Forest trees area under management in China (ha)	788,700	512,700	54
Net tree area valued by Pöyry (ha)	754,816	491,000	54
Total standing timber of merchantable volume (million m ³)	93.2	62.0	50%
Average yield (m ³ per hectare)	124	126	(2)

Note: Net tree area value by Pöyry: Certain hectares were excluded because they were recently harvested, land was leased pending planting season, or land was allocated for bio-fuel, carbon credit development and other non-harvestable purposes.

Pöyry's 2010 reports provide the following comments on the valuation methodology:

- The valuation methodology was consistent with that used in previous years and was based on a single rotation using a pre-tax discount rate of 11.5% which is unchanged from previous years.
- This is a single rotation analysis. The modelled wood flow sees approximately 85% of the log volume harvestable from the current rotation, harvested over the next 10 years. The analysis includes only the revenues and costs associated with the existing tree inventory or current crop (i.e. costs and revenues associated with replanting and harvesting of second and subsequent rotations are not considered).
- The valuation assumed that positive log supply and demand dynamics will continue the trend of real log price increases through the mid-term.

Pöyry estimated that Sino-Forest's total merchantable standing timber volume as at year end 2010 was 93.2 million cubic metres (m³), compared to 62.0 million m³ in 2009, representing a 50% increase in wood fibre. The volume increase was attributable primarily to the substantially increased area acquired during the year. However, the average standing volume of merchantable timber per hectare of the Sino-Forest estate decreased 2% to 124 m³ per hectare in 2010, Pöyry reports that this change is primarily due the fact that yields for both Chinese fir and Masson pine of the Mandra estate are lower on average when compared with equivalent age stands that are typical for the remainder of Sino-Forest's Purchased plantations.

In contrast, Sino-Forest's planted eucalypt yield is higher than in previous years. Data collected during 2010 shows the average total recoverable volume of six-year old eucalypt stands has increased by approximately 11% to 141 m³ per hectare. This is equivalent to an average total standing volume of 175 m³ per hectare and compares with the highest volume recorded at a Sino-Forest's planted plantation of 250 m³ per hectare. These yield improvements have been calculated following analysis of the large amount of inventory data collected as part of the Strategic Inventory Program, which Sino-Forest and Pöyry have been working on together during 2010. The Strategic Inventory Program data augments sampling undertaken as part of the field assessment plots that Pöyry has established and measured in 2008, 2009 and 2010.

2. Sino-Forest's Adoption of IFRS

All publicly accountable enterprises in Canada are required to adopt the International Financial Reporting Standards ("IFRS"). IFRS replaces Canadian Generally Accepted Accounting Principles ("GAAP") effective January 1, 2011. Therefore, Sino-Forest's first quarter 2011 results to be released on June 14, 2011 will be prepared in accordance with IFRS, which will require fair value accounting of biological assets under IAS 41 standard that are subject to agriculture activities. Sino-Forest has reviewed the standards in relation to its business model and has concluded that Sino-Forest's Purchased plantations (including the recently acquired Mandra forest assets) do not fall within IAS 41, as such forest assets are not subjected to agricultural activities. As a result, its Purchased plantations will be recorded at cost and Planted plantations will be recorded at fair value.

Note: The Mandra Forestry Valuation Report will be available on or before May 31, 2011.

Please note: This Summary of the Valuation Report contains projections and forward-looking statements regarding future events. Such forward-looking statements are not guarantees of future performance of Sino-Forest and are subject to risks and uncertainties that could cause actual results and company plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties include, but not limited to, changes in China and international economies; changes in currency exchange rates; changes in worldwide demand for the Sino-Forest's products; changes in worldwide production and production capacity in the forest products industry; competitive pricing pressures for the Sino-Forest's products and changes in wood and timber costs.

Sino-Forest has not independently verified the data or conclusions contained in the Summary Reports and cannot assure you that such information is complete or reliable. The fact that Sino-Forest has provided a link to the Summary Reports is not an endorsement of the contents of the Summary Reports.

*On behalf of our client, Sino-Forest (the "Client"), Pöyry has developed the following reports: Report of the Valuation of China Forest Planted Crops as at 31 December 2010, Report of the Valuation of China Purchased Forest Assets as at 31 December 2010, Report of the Valuations of Mandra Forest Crops as at 5-February and 31-December 2010 (collectively, the "Reports") in connection with a market valuation of Sino-Forest's Chinese Forestry Assets (the "Valuation"). The Client has agreed that Pöyry may provide you with an excerpt of these reports (the "Summary") in your capacity as [analyst/stakeholder] of the Client. Pöyry's acceptance to providing the Summary to you is conditional upon you agreeing to the terms and conditions of this undertaking. All other use is strictly prohibited and no other person or entity is permitted to use this report, unless otherwise agreed in writing by Pöyry. **By accepting delivery of this report, the Recipient acknowledges and agrees to the terms of this disclaimer.***

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