

SINO-FOREST CORPORATION

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular is furnished in connection with the solicitation of proxies by the management of Sino-Forest Corporation (the “Corporation”) for use at the Annual Meeting (the “Meeting”) of Class A Subordinate-Voting Shareholders and Class B Multiple-Voting Shareholders of the Corporation (collectively, the “Shareholders”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual Meeting of Shareholders (the “Notice”). The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

The Corporation has distributed or made available for distribution, copies of the Notice, the management information circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “Intermediaries”) for distribution to Shareholders (the “Non-registered Shareholders”) whose shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Non-registered Shareholders. The solicitation of proxies from Non-registered Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Non-registered Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of these materials.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him and on his behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, or its transfer agent and registrar, CIBC Mellon Trust Company, 320 Bay Street, 6th Floor, P.O. Box 1, Toronto, Ontario, M5H 4A6 not later than the close of business on Friday, June 23, 2000 or delivering it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, under its corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

- (i) at the registered office, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, at any time up to and including the last business day preceding the day of the Meeting, being Friday, June 23, 2000, or any adjournment thereof at which the proxy is to be used; or
 - (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or
- (b) in any other manner permitted by law.

Unless otherwise disclosed in this management information circular, no person who has been a director or an officer of the Corporation at any time since the beginning of its last completed financial year, or who is a proposed management nominee for election as a director of the Corporation or any associate of such persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this management information circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at April 30, 2000, 74,827,228 Class A Subordinate-Voting Shares of the Corporation (the "Subordinate-Voting Shares"), carrying the right to one vote per share at the Meeting, and 6,000,000 Class B Multiple-Voting Shares of the Corporation (the "Multiple-Voting Shares"), carrying the right to five votes per share at the Meeting, were issued and outstanding.

The Corporation has fixed the close of business on Monday, May 8, 2000 as the record date (the "Record Date") for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. In accordance with the provisions of the *Business Corporations Act* (Ontario), the Corporation will prepare a list of the holders of Subordinate-Voting Shares and Multiple-Voting Shares on the Record Date. Each holder of such shares named in the list will be entitled to vote the shares shown opposite his or her name on the list at the Meeting except to the extent that (a) the Shareholder has transferred any of his, her or its shares

after the Record Date; and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he, she or it owns such shares and demands, not later than ten days before the Meeting, that his, her or its name be included on the list before the Meeting, in which case the transferee is entitled to vote his, her or its shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at April 30, 2000, the only persons who beneficially own, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to the Subordinate-Voting Shares or the Multiple-Voting Shares are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)		
	Class A Subordinate-Voting Shares	Class B Multiple-Voting Shares	Percentage of Voting Rights
ADS Holdings (BVI) Limited ("ADS") ⁽¹⁾	4,079,605 Shares (5.45%) (of record and/or beneficially)	2,250,000 Shares (37.5%) (beneficially)	14.6%
Natural Forest Limited ("NFL") ⁽²⁾	4,530,205 Shares (6.05%) (of record and/or beneficially)	2,250,000 Shares (37.5%) (of record and beneficially)	15.1%
Forest Investment Partners, Ltd. ("FIP") ⁽³⁾	1,894,000 Shares (2.53%) (of record and/or beneficially)	1,200,000 Shares (20%) (beneficially)	7.5%

Notes:

- (1) ADS is owned by three family trusts under which family members and associates of Mr. Allen Chan and Ms. Leslie Chan are beneficiaries. 500,000 Subordinate-Voting Shares owned beneficially by ADS are registered in the name of Mr. Allen Chan but are subject to a declaration of trust in favour of ADS. FIP holds 2,250,000 Multiple-Voting Shares pursuant to a declaration of trust in favour of ADS.
- (2) NFL is controlled by Mr. Kai Kit Poon. 500,000 Subordinate-Voting Shares owned beneficially by NFL are registered in the name of Mr. Kai Kit Poon but are subject to a declaration of trust in favour of NFL. Mr. Poon also owns beneficially 196,000 Subordinate-Voting Shares.
- (3) FIP is controlled by Ms. Leslie Chan. Ms. Chan is the spouse of Mr. Allen Chan. Ms. Chan also owns beneficially 883,000 Subordinate-Voting Shares. Mr. Chan also owns beneficially Subordinate-Voting Shares. See "Election of Directors". FIP holds 300,000 Multiple-Voting Shares subject to a declaration of trust in favour of Well Conduct Corporation, a corporation beneficially owned by Mr. Allen Chan and 2,250,000 Multiple-Voting Shares subject to a declaration of trust in favour of ADS.

EXECUTIVE COMPENSATION

1. SUMMARY COMPENSATION TABLE

The following sets forth the compensation paid or awarded to the Chairman and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of the Corporation (the "Named Executive

Officers”) for the Corporation’s financial years ended December 31, 1999, 1998 and 1997. The Corporation has two “executive officers” within the meaning of the *Securities Act* (Ontario) whose compensation must be disclosed.

Name and Principal Position	Financial Year Ended Dec. 31	Annual Compensation			Long-term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Option/SARs ⁽²⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Allen T. Y. Chan, Chairman and Chief Executive Officer ⁽³⁾	1999	\$64,000	-	-	-	-	-	-
	1998	\$64,000	-	-	-	-	-	-
	1997	\$64,000	-	-	-	-	-	-
Kee Y. Wong, Executive Vice-President and Chief Financial Officer	1999	\$240,000	\$342,000	-	-	-	-	-
	1998	\$240,000	\$300,000	-	-	-	-	-
	1997	\$240,000	\$260,000	-	-	-	-	-

Notes:

- (1) The aggregate amount of perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the salary and the bonus of each Named Executive Officer for the fiscal years ended 1999, 1998 and 1997.
- (2) “SAR” means a stock appreciation right.
- (3) Allen T. Y. Chan is a director of a company which provided the Corporation’s operating subsidiary with certain corporate services during the financial year ended December 31, 1999. See “Interests of Insiders in Material Transactions”.

2. LONG-TERM INCENTIVE PLAN (“LTIP”) AWARDS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

No LTIP awards were made to the Named Executive Officers during the fiscal year ended December 31, 1999.

3. OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

During the fiscal year ended December 31, 1999, no incentive stock options were granted to the Named Executive Officers.

4. AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

The Named Executive Officers did not exercise any options to acquire Subordinate-Voting Shares during the fiscal year ended December 31, 1999. The Named Executive Officers did not hold any stock options as at December 31, 1999.

5. OPTION AND SAR REPRICINGS

The Corporation did not make any downward repricing of stock options during the financial year ended December 31, 1999.

6. EMPLOYMENT AGREEMENT

The Corporation has entered into an employment agreement (the "Employment Agreement") with Kee Y. Wong (the "Executive") with effect as of January 1, 1997. In the event that the Executive's employment is terminated without cause, the Corporation is required to pay to the Executive an amount equal to 1.5 times his then-applicable compensation package, which shall include consideration of his annual base salary then in effect as well as a formula calculation taking into account bonuses earned by the Executive. Notwithstanding the foregoing, the Corporation may give the Executive six months' notice of termination, in which case the Executive shall, at the end of such six month period, be entitled to a payment equal to one times the then-applicable compensation package. The Executive may, for a period of 18 months following a "change of control" of the Corporation (as defined in the Employment Agreement), "resign for good reason" (as defined in the Employment Agreement including, without limitation, assignments which are not consistent with the Executive's title and duties prior to the Change of Control and any other conduct which would constitute constructive dismissal of the Executive), in which event the Executive shall be entitled to receive a severance entitlement as describe above.

7. COMPENSATION OF DIRECTORS

The non-executive directors of the Corporation receive an annual retainer of \$5,000, as well as payments of \$1,000 for each meeting of the Board held in Canada (\$2,000 for each meeting held outside of Canada) and payments of \$250-\$500 for telephonic meetings. In addition, the Chair of each Committee receives \$2,500 and each member of a Committee receives an additional annual payment of \$1,500. For the fiscal year ended December 31, 1999, the Corporation paid an aggregate of \$39,000 to members of the Board. The directors are reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors. During the fiscal year ended December 31, 1999, no options to purchase Subordinate-Voting Shares were granted to non-executive directors.

8. COMPENSATION COMMITTEE AND REPORT ON EXECUTIVE COMPENSATION

The compensation committee of the Corporation is made up of R. John (Jack) Lawrence, William P. Rosenfeld and Allen T.Y. Chan, Chairman and Chief Executive Officer of the Corporation, of which a majority are outside directors. The compensation committee will meet on compensation matters as and when required with respect to executive compensation. The primary goal of the compensation committee is to ensure that the compensation provided to the Named Executive Officer and the Corporation's senior officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the senior officers is matched with the financial interest of shareholders. The Named Executive Officer and the Corporation's senior officers are paid fairly and commensurably with their contributions to furthering the Corporation's strategic direction and objectives. The Corporation also grants stock options to its officers, directors and employees from time to time in accordance with the Corporation's stock option plan.

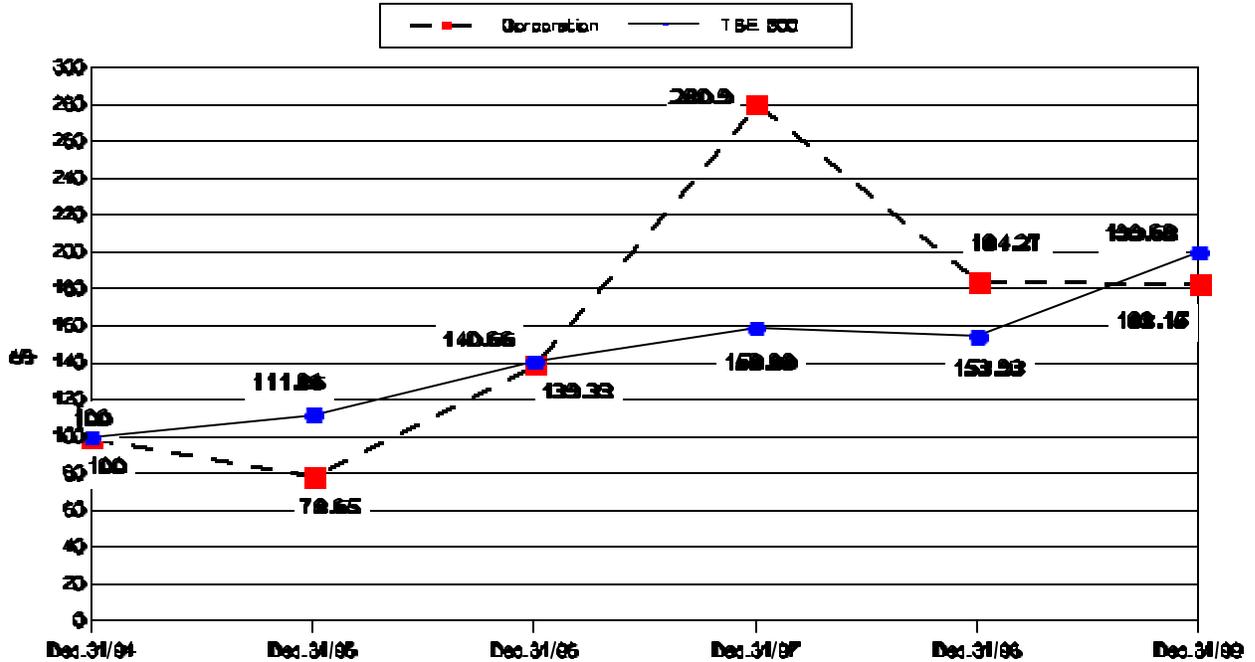
9. INSURANCE

The Company has purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$10,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Company and its subsidiaries. For the year ended December 31, 1999, the Company paid a premium of \$27,000 plus provincial sales tax in respect of such insurance.

10. SHAREHOLDER RETURN PERFORMANCE GRAPH

The Subordinate-Voting Shares were first listed for trading on the Alberta Stock Exchange on June 23, 1994. They were subsequently listed on The Toronto Stock Exchange (the "TSE") on October 12, 1995. The following graph shows the percentage change in the cumulative shareholder return on the Subordinate-Voting Shares compared to the cumulative total return of the TSE 300 Index for the period from December 31, 1994 to December 31, 1999 assuming \$100 investments:

Comparison of Five Year Cumulative Total Return between Sino-Forest Corporation and the TSE 300 Index



INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

The following table sets forth the currently outstanding indebtedness to the Corporation of all senior officers and directors (and their respective “associates” as such term is defined in the *Business Corporations Act* (Ontario)) of the Corporation which was incurred in connection with the purchase of Class A Subordinate-Voting Shares under the Corporation’s Stock Option Plan. The aggregate indebtedness to the Corporation or any of its subsidiaries of all officers, directors, employees and former officers, directors and employees of the Corporation or any of its subsidiaries as of April 30, 2000 is \$6,817,650.

Name and Place of Residence	Position	Largest Amount Outstanding During Fiscal 1999 (\$)	Amount Outstanding as at April 30, 2000 (\$)	Financially Assisted Securities Purchases During Fiscal 1999 ⁽¹⁾ (#)	Security for Indebtedness ⁽²⁾
Allen T.Y. Chan Hong Kong	Chairman, Chief Executive Officer and Director	\$2,454,000	\$2,454,000	-	Subordinate-Voting Shares
Kai Kit Poon Hong Kong	President and Director	\$1,019,600	\$1,019,600	-	Subordinate-Voting Shares
Leslie Chan Hong Kong	Executive Vice-President	\$1,302,050	\$1,302,050	-	Subordinate-Voting Shares
Kee Y. Wong Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director	\$1,890,000	\$1,890,000	-	Subordinate-Voting Shares
Michael Cheng Hong Kong	Former Director	\$152,000	\$152,000	100,000	Subordinate-Voting Shares

Notes:

- (1) All financially assisted securities purchases during fiscal 1999 were for Subordinate-Voting Shares.
- (2) All such indebtedness is non-interest bearing. The amounts are secured by pledges of the Class A Subordinate-Voting Shares acquired on the exercise of the options. Upon the sale of any of the pledged shares, a portion of the indebtedness is repayable.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSE has approved the recommendations of the report dated December 1994 (the "Report") by the TSE Committee on Corporate Governance in Canada and has adopted a new by-law requiring corporations listed on the TSE and having fiscal years ending on or after June 30, 1995 to disclose their approach to corporate governance. In December, 1999, the TSE clarified the requirements for the disclosure of listed companies' approaches to corporate governance and now requires listed companies to specifically address the TSE's guidelines in their annual "Statement of Corporation Governance Practices". Companies listed on the TSE are not required to comply in all respects with the guidelines set out in the Report as it is recognized that there is a wide range of corporations listed on the TSE and compliance by smaller companies with all aspects of the guidelines would, in certain circumstances, be difficult or excessively expensive. The Board of Directors has a corporate governance committee made up of Messrs. Rosenfeld and Mak, both of whom are outside directors. The Corporation's Board of Directors and senior management consider good corporate governance to be central to the effective and efficient operation of Canadian corporations. The disclosure of the

Corporation's corporate governance practices for the year ended December 31, 1999 is set out in a question and answer format as Schedule "A" to this management information circular.

In the normal course, Shareholder queries and comments should be directed to Mr. Allen T.Y. Chan in Hong Kong or to Mr. Kee Y. Wong at the Corporation's Canadian head office.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Mr. Allen T.Y. Chan, a director and officer of the Corporation, and Ms. Leslie Chan, an officer of the Corporation, are directors of a company which provided the Corporation's operating subsidiary with certain corporate services which included cash management, risk management, sales and marketing, governmental relations and investor relations during the financial year ended December 31, 1999, at a cost of approximately U.S.\$1,443,000. The shareholders of such company are family members of Ms. Leslie Chan and two family trusts under which family members and associates of Mr. Allen T.Y. Chan and Ms. Leslie Chan are beneficiaries and trustees.

A company in which Mr. Kai Kit Poon, a director and officer of the Corporation, is a director and the sole shareholder of, provided the Corporation's operating subsidiary with certain corporate services rendered during the financial year ended December 31, 1999, including governmental relations and technical services, for which such company received a fee of approximately U.S.\$544,000.

ELECTION OF DIRECTORS

Management of the Corporation proposes that the persons named in the following table be nominated for election as directors of the Corporation. All of the nominees for director are now directors of the Corporation and have been since the dates set opposite their names. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the election of directors.

In the event a nominee is unable to serve or will not serve, an event that management of the Corporation has no reason to believe will occur, the persons named in the accompanying form of proxy reserve the right to vote for another person at their discretion, unless a Shareholder has specified in the form of proxy that these shares are to be withheld from voting for the election of directors. Each director elected at the Meeting will hold office until the close of the next annual meeting of Shareholders or until such director's successor is duly elected or appointed.

The following table sets forth the name of each person to be nominated by the management of the Corporation for election as a director, such person's present position with the Corporation, the period or periods of his service as a director of the Corporation, and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, or subject to control or direction, by such person as at April 30, 2000:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number and Class of Shares Beneficially Owned or Controlled</u>
Allen T.Y. Chan ⁽¹⁾⁽²⁾ Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	1,140,000 Subordinate-Voting Shares; 300,000 Multiple-Voting Shares ⁽⁴⁾
Kai Kit Poon Hong Kong	President and Director of the Corporation and of Sino-Wood Partners, Limited	1994	4,726,205 Subordinate-Voting Shares; 2,250,000 Multiple-Voting Shares ⁽⁵⁾
Edmund Mak ⁽¹⁾⁽³⁾ Vancouver, B.C.	Real estate marketing agent, Re/Max Select Properties, a real estate company	1994	80,000 Subordinate-Voting Shares
Kee Y. Wong Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director of the Corporation	1997	1,300,000 Subordinate-Voting Shares
R. John (Jack) Lawrence ⁽²⁾ Toronto, Ontario	Chairman of Lawrence & Company, a private investment company	1997	1,718,000 Subordinate-Voting Shares ⁽⁶⁾
William P. Rosenfeld ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Partner, Goodman Phillips & Vineberg, Barristers & Solicitors	1997	4,000 Subordinate-Voting Shares
Simon Murray Hong Kong	Chairman of General Enterprise Management Services Limited	1999	Nil

Notes:

- (1) Member of the Audit/Risk/Finance Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) 300,000 Multiple-Voting Shares are beneficially owned by Well Conduct Corporation, a corporation beneficially owned by Mr. Chan.
- (5) 4,530,205 Subordinate-Voting Shares and 2,250,000 Multiple-Voting Shares are beneficially owned by Natural Forest Limited, which is controlled by Mr. Kai Kit Poon. Mr. Poon also owns beneficially 196,000 Subordinate-Voting Shares. See "Voting Securities and Principal Holders Thereof".
- (6) These shares are beneficially owned by Lawrence & Company Inc., which is controlled by Mr. R. John (Jack) Lawrence.

APPOINTMENT OF AUDITORS

Management proposes to nominate Arthur Andersen LLP, which firm has been auditors of the Corporation since its appointment by the board of directors of the Corporation effective February 15, 1999, as auditors of the Corporation to hold office until the next annual meeting of Shareholders. It is intended that the shares represented by proxies in favour of management nominees will be voted in favour of the re-appointment of Arthur Andersen LLP as auditors of the Corporation and the authorizing of the directors to fix their remuneration. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of auditors.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

ADDITIONAL INFORMATION

In accordance with National Policy Statement No. 47, the Corporation will provide to any person, upon request to the secretary of the Corporation, one copy of any of the following documents:

- (a) the Corporation's most recent annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in such annual information form;
- (b) the comparative financial statements of the Corporation for the year ended December 31, 1999 together with the accompanying report of the auditor and one copy of any interim financial statements of the Corporation subsequent to such financial statements; and
- (c) this management information circular;

provided the Corporation may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Corporation.

APPROVAL OF BOARD OF DIRECTORS

The contents of this management information circular and the sending of it to each director of the Corporation, to the auditors of the Corporation, to the shareholders of the Corporation and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: April 30, 2000.

(signed) **“Allen T. Y. Chan”**
Allen T. Y. Chan
Chairman and Chief Executive Officer

Schedule “A”

SINO-FOREST CORPORATION

ALIGNMENT WITH CORPORATE GOVERNANCE GUIDELINES

Corporate Governance Guidelines

1. *The board of directors should explicitly assume responsibility for stewardship of the corporation, and specifically for:*

a. adoption of a strategic planning process

The board of directors of the Corporation (the “Board”) provides input and guidance on and reviews and approves the strategic planning and business objectives developed by senior management of the Corporation and oversees management’s implementation of the strategic plan.

b. identification of principal risks, and implementing risk-management systems

The Board considers on an ongoing basis the principal risks of the Corporation’s business based on regular business reports prepared by the Corporation’s senior management. In addition, the Audit/Finance/Risk Committee, through reviewing the activities and findings of the Corporation’s external auditors, is aware of the principal risks to the Corporation’s business and reports thereon to the Board on a regular basis.

c. succession planning and monitoring senior management

The Board is responsible for the assessment of the performance of, and the development of a succession plan for, the Chairman and Chief Executive Officer (the “CEO”) of the Corporation, who is in turn charged with those same responsibilities for the balance of the Corporation’s senior management team.

d. communications policy

The Board is committed to maintaining an effective communications policy for the benefit of all shareholders. In addition to its timely and continuous disclosure obligations under applicable law, the Corporation ensures that a Canadian member of senior management is available to respond to questions and comments from shareholders. Such designee is available to respond to shareholder questions and comments, and endeavours to respond promptly and appropriately to all requests and/or inquiries. If material business issues result from communications between shareholders and senior management, it is the policy of the Corporation that such matters be reported to the Board.

e. integrity of internal control and management information systems

The Audit/Risk/Finance Committee reviews with management and the Corporation's external auditors the ongoing sufficiency and integrity of the Corporation's internal control, financial reporting and management information systems.

2. ***The board of directors of every corporation should be constituted with a majority of individuals who qualify as “unrelated” directors. For the purposes of the TSE Report, an “unrelated” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding.***

The current Board consists of four unrelated directors and three related directors (all of which related directors are management directors).

The Corporate Governance Committee will consider further changes to the composition of the Board from time to time in order to serve the Corporation as it evolves.

3. ***Disclose for each director whether he or she is related to the corporation or any significant shareholder of the corporation, and how that conclusion was reached.***

The Board, in conjunction with the Corporate Governance Committee, reviews the factual circumstances and relevant relationships of each of the directors. Three of the directors, Mr. Allen T.Y. Chan, Chairman and Chief Executive Officer of the Corporation, Mr. Kai Kit Poon, President of the Corporation, and Mr. Kee Y. Wong, Executive Vice-President and Chief Financial Officer of the Corporation, are members of management of the Corporation and are therefore considered to be “related”. The remaining members of the Board, Messrs. Lawrence, Mak, Murray and Rosenfeld are considered “unrelated” to the Corporation.

The Corporation does not have a “significant shareholder”, which the TSE Report defines as a “shareholder with the ability to exercise a majority of the votes for the election of the board of directors”.

4. ***Appoint a committee comprised exclusively of non-management directors, a majority of whom are unrelated directors, responsible for proposing new nominees to the Board and for assessing directors on an ongoing basis.***

The mandate of the Corporate Governance Committee includes reviewing the performance of the Board and each of its committees and recruitment and nomination of new directors to the Board. The Corporate Governance Committee is composed exclusively of non-management and unrelated directors.

5. ***Implement a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.***

The Corporate Governance Committee annually reviews the membership and chairs of the Board committees, as well as the mandates and activities of each committee, and make such recommendations to the Board arising out of such review as each committee deems appropriate.

6. ***Provide an orientation and education program for new recruits to the board.***

The Corporation currently has an informal orientation program for new members of the Board. In addition, the Board regularly invites senior operating management to attend at Board meetings to report on their respective business unit activities.

7. ***Examine the size of the board of directors with a view to determining the impact of the number of directors upon effectiveness.***

As of the date of this Management Information Circular, the Board is composed of seven members. The Board has reviewed its size and has concluded that the number of directors of the Corporation is efficient and effective, given the size and scope of the Corporation's operations.

8. ***Review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.***

The Compensation Committee reviews and approves the design and administration of all compensation and benefit plans and policies for the Corporation's Board and senior management. Directors' compensation is fixed by the Compensation Committee at competitive levels with due consideration to the periodic changes in the levels of responsibility assigned to members of the Board.

9. ***Committees of the board of directors should generally be composed of outside directors, a majority of whom are unrelated directors.***

The Corporate Governance Committee is comprised exclusively of non-management or "unrelated" directors. The Audit/Risk/Finance and Compensation Committees are comprised of a majority of non-management and unrelated directors.

10. ***Each board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the corporation's approach to governance issues.***

The mandate of the Corporate Governance Committee includes responsibility for reviewing the Corporation's approach to corporate governance issues, monitoring compliance with Corporation's stated corporate governance policies and otherwise generally having responsibility for the Corporation's corporate governance.

11. *Position descriptions should be developed for both the board and for the CEO, involving the definition of the limits to management's responsibilities.*

The Board has responsibility for the stewardship of the Corporation and specifically for: (i) providing input and guidance on and approving the strategic plan and business objectives developed by senior management and overseeing management's implementation of the strategic plan; (ii) considering the principal risks of the business based on regular business reports prepared by senior management and based on the Audit/Risk/Finance Committee's review of the findings of the external auditors; (iii) assessing the performance of, and developing a succession plan for, the CEO; and (iv) reviewing the ongoing sufficiency and integrity of the Corporation's internal control, financial reporting and management information systems with management and the Corporation's external auditors. In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of management of the business but not the day-to-day operations which are the responsibility of the CEO. The Board will also consider those matters that are brought to it by the CEO that, as noted below, are deemed to be material matters.

The CEO is specifically charged with the responsibility for managing the strategic and operational agenda of the Corporation and for the execution of the directives and policies of the Board.

12. *Establish procedures to enable the board to function independently of management.*

The Board's "unrelated" directors have unrestricted, direct access to both management and the external auditors of the Corporation. Part of the mandate of the Corporate Governance Committee is to continuously monitor the relationship between management and the Board.

13. *Establish an audit committee which should be composed only of outside directors with a specifically defined mandate.*

The Audit/Finance/Risk Committee has primary responsibility for ensuring the integrity of the Corporation's financial reporting, risk management and internal controls. The Audit/Finance/Risk Committee has unrestricted access to the Corporation's personnel and documents and has direct communication channels with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate. The Audit/Finance/Risk Committee receives and reviews the annual financial statements of the Corporation and makes recommendations thereon to the Board prior to their approval by the full Board. The Audit/Finance/Risk Committee also reviews the scope and planning of the external audit, the form of audit report and any correspondence from or comments by the external auditors regarding financial reporting and internal controls. Moreover, the Audit/Finance/Risk Committee is responsible for correcting weaknesses identified by the external auditors with respect to the internal control systems and for ensuring that the recommended corrections had been implemented.

The composition of the Audit/Risk/Finance Committee is described above. Mr. Chan has been appointed as a member of the Audit/Risk/Finance Committee as a result of his fluency in both Cantonese and Mandarin.

14. *Implement a system to enable individual directors to engage an outside advisor at the expense of the corporation in appropriate circumstances*

In appropriate circumstances, the Board will approve the engagement of an outside advisor at the expense of the Corporation.