

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 and special meeting (the “**Meeting**”) of holders of class A subordinate-voting shares 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 and Special 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 unless a Non-registered Holder has waived the right to receive them. 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 such Shareholder and on his, her or its 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, Attention: Proxy Department, 200 Queens Quay East, Unit #6, Toronto ON M5K 4A9 not later than the close of business on Friday, June 18, 2004 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 or her 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 18, 2004, 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.**

ADVICE TO BENEFICIAL SHAREHOLDERS

The information set forth in this section is of significant importance to a substantial number of Shareholders who do not hold their shares in their own name (referred to in this section as “**Beneficial Shareholders**”). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in such Shareholder’s name on the records of the Corporation. Such shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Inc., which company acts as a nominee of many Canadian brokerage firms. Shares held by brokers or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting shares for their clients. The directors and officers of the Corporation do not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. Often the form of proxy

supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided by the Corporation to the registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation (“ADP”). ADP typically applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the proxy forms to ADP. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy with an ADP sticker on it cannot use that proxy to vote shares directly at the Meeting - the proxy must be returned to ADP well in advance of the Meeting in order to have the shares voted. All references to shareholders in this management information circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Friday, May 7, 2004 as the record date (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 96,319,548 class A subordinate-voting shares of the Corporation (the “**Subordinate-Voting Shares**”), carrying the right to one vote per share at the Meeting, were issued and outstanding.

In accordance with the provisions of the *Canada Business Corporations Act*, the Corporation will prepare a list of the holders of Subordinate-Voting Shares on the Record Date. Each holder of such shares named in the list will be entitled to vote the shares shown opposite its name on the list at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at April 15, 2004, 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 are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Class A Subordinate-Voting Shares	Percentage of Voting Rights
Fidelity Management & Research Company ⁽¹⁾	14,048,340 shares	14.6%

Note:

- (1) The shareholding of Fidelity Management & Research Company and its affiliates and associates is based solely on information available on the public record.

EXECUTIVE COMPENSATION

1. Summary Compensation Table

The following sets forth the compensation paid or awarded to (i) the Chairman and Chief Executive Officer and (ii) the Executive Vice-President and Chief Financial Officer of the Corporation (the “**Named Executive Officers**”) for the Corporation’s financial years ended December 31, 2003, 2002 and 2001.

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 Awards	All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Securities Under Option Granted (#)	
Allen T.Y. Chan, Chairman and Chief Executive Officer ⁽²⁾	2003	US\$61,700	-	-	-	-
	2002	\$97,220	-	-	-	-
	2001	\$97,960	-	-	-	-
Kee Y. Wong, Executive Vice-President and Chief Financial Officer ⁽³⁾	2003	US\$445,000	US\$400,000	-	-	US\$300,000 ⁽⁴⁾
	2002	\$240,000	\$215,000	-	-	-
	2001	\$240,000	\$110,000	-	-	-

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 December 31, 2003, 2002 and 2001.
- (2) Allen T. Y. Chan’s employment compensation is paid by Sino-Wood Partners, Limited, a subsidiary of the Corporation. Mr. Chan is also a director of a company which provided the Corporation’s operating subsidiary with certain corporate services during the financial years ended December 31, 2003, 2002 and 2001. See “Interests of Insiders in Material Transactions”.
- (3) Effective March 1, 2003, Kee Y. Wong was transferred to the Corporation’s Hong Kong office and, effective such date, Mr. Wong’s employment compensation is paid by Sino-Wood Partners, Limited, a subsidiary of the Corporation.
- (4) This amount represents a one-time relocation payment as a result of Mr. Wong’s relocation from Toronto, Ontario to Hong Kong in March 2003.

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, 2003.

3. Option Grants During the Most Recently Completed Financial Year

During the fiscal year ended December 31, 2003, no incentive stock options were granted to the Named Executive Officers.

4. Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-end Option Values

The Named Executive Officers did not exercise any options to acquire Subordinate-Voting Shares during the fiscal year ended December 31, 2003. The Named Executive Officers did not hold any stock options as at December 31, 2003.

5. Option Repricings

The Corporation did not make any downward repricing of stock options during the financial year ended December 31, 2003.

6. Employment Agreement

Kee Y. Wong entered into an employment agreement dated March 1, 2003 with Sino-Wood Partners, Limited (“**Sino-Wood**”), a subsidiary of the Corporation. If Mr. Wong’s employment is terminated or Mr. Wong gives notice of termination for “good reason”, Sino-Wood is required to pay Mr. Wong a pro rata annual bonus (which will be calculated based on the target annual bonus for the relevant fiscal year) and a severance payment (which comprises two times his annual base salary and two times his target annual bonus) and other compensation and benefits payable up to the date of termination. The Corporation is then required to cause all stock options granted to Mr. Wong to become immediately exercisable within 12 months from the termination of his employment. “Good reason” is defined in the employment agreement to include an assignment to Mr. Wong of duties materially inconsistent with his position and duties or any material diminution of his authority, responsibilities and reporting requirements, provided that Mr. Wong gives a prior written notice of 30 days and Sino-Wood fails to rectify these events within the 30-day period.

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 Board committee receives \$2,500 and each member of a Board committee receives an additional annual payment of \$1,500. For the fiscal year ended December 31, 2003, the Corporation paid an aggregate of \$31,000 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, 2003, options to purchase an aggregate of 300,000 Subordinate-Voting Shares were granted to non-executive directors.

8. Compensation Committee and Report on Executive Compensation

The compensation committee of the Corporation is currently made up of R. John (Jack) Lawrence, Edmund Mak and Allen T.Y. Chan, Chairman and Chief Executive Officer of the Corporation, of which a majority are currently outside directors. The compensation committee meets 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 Officers and the Corporation’s other 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 Officers 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

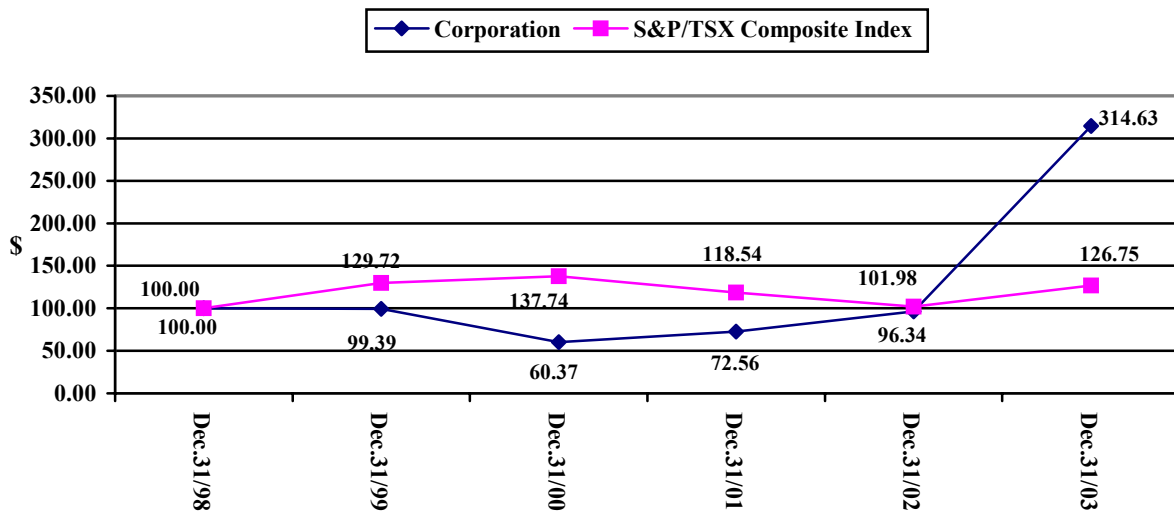
The Company has purchased, at its expense, directors’ and officers’ liability insurance in the aggregate amount of \$10,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Company and its subsidiaries. For the fiscal year ended

December 31, 2003, the Company paid a premium of \$50,220 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 “TSX”) 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 S&P/TSX Composite Index for the period from December 31, 1998 to December 31, 2003 assuming \$100 initial investments:

Comparison of Five Year Cumulative Total Return between Sino-Forest Corporation and the S&P/TSX Composite Index



INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

The following table sets forth the currently outstanding indebtedness to the Corporation of all directors, executive officers and senior officers (and their respective “associates” as such term is defined in the *Canada Business Corporations Act*) of the Corporation which was incurred in connection with the purchase of Class A Subordinate-Voting Shares under the Corporation’s stock option plan. None of the directors, executive officers and senior officers and former directors, executive officers and senior officers of the Corporation or any of its subsidiaries were indebted to the Corporation or any of its subsidiaries as of April 15, 2004.

Name and Place of Residence	Position	Largest Amount Outstanding During 2003 (\$)	Amount Outstanding as at April 15, 2004 (\$)	Financially Assisted Securities Purchases During 2003 (#)	Security for Indebtedness
Allen T.Y. Chan Hong Kong	Chairman, Chief Executive Officer and Director	\$2,454,000	-	-	-
Kai Kit Poon Hong Kong	President and Director	\$1,019,600	-	-	-
Leslie Chan Hong Kong	Executive Vice-President	\$1,302,050	-	-	-
Kee Y. Wong Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director	\$1,890,000	-	-	-
Michael Cheng Hong Kong	Former Director	\$152,000	-	-	-
Qi Shu Xiong China	General Manager, Sino-Wood Partners, Limited, Zhangjiang office	\$152,000	-	-	-

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSX has approved the recommendations of the report dated December 1994 (the “**Report**”) by the TSX Committee on Corporate Governance in Canada and has adopted a new by-law requiring corporations listed on the TSX and having fiscal years ending on or after June 30, 1995 to disclose their approach to corporate governance. In December, 1999, the TSX clarified the requirements for the disclosure of listed companies’ approaches to corporate governance and now requires listed companies to specifically address the TSX’s guidelines in their annual “Statement of Corporation Governance Practices”. Companies listed on the TSX 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 TSX 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 currently made up of Messrs. Mak and Wong. 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 fiscal year ended December 31, 2003 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 or to Mr. Kee Y. Wong at the office in Hong Kong.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Consulting Arrangements

Mr. Allen T.Y. Chan, a director and officer of the Corporation, is a director of a company which provided Sino-Wood 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, 2003, at a cost of approximately US\$823,000.

A company of which Mr. Kai Kit Poon, a director and officer of the Corporation, is a director and the sole shareholder, provided Sino-Wood with certain corporate services rendered during the financial year ended December 31, 2003, including governmental relations and technical services, for which such company received a fee of approximately US\$523,000.

Exchangeable Notes

In 1999, Sino-Wood issued an aggregate of US\$20.0 million of exchangeable notes (the “**Exchangeable Notes**”) to Ruby Worldwide Limited, a wholly owned subsidiary of General Enterprise Management Services Oriental and General Fund Limited, a Cayman Islands company, (“**GEMS Fund**”). Mr. Simon Murray, a director of the Corporation, is a shareholder and the Chairman of General Enterprise Management Services Limited, a British Virgin Islands company (“**GEMS Management Company**”), which has an agreement to provide certain advisory, management and general administrative services to GEMS Fund. The Corporation has guaranteed the obligations of Sino-Wood under the Exchangeable Notes. From September 11, 2003 to December 29, 2003, an aggregate of US\$10.0 million in principal amount of Exchangeable Notes were converted into an aggregate of 8,069,320 Class A shares. As of January 31, 2004, approximately US\$156,000 in principal value of Exchangeable Notes remained outstanding.

Convertible Instruments

In connection with the issuance on February 7, 2003 by Sino-Wood of US\$14.0 million of convertible instruments (“**Convertible Instruments**”) comprising of convertible notes and convertible preference, Sino-Wood issued on March 10, 2003 approximately US\$15.5 million of convertible notes (the “**Convertible Notes**”) in exchange for approximately US\$9.8 million (having an accrued value of US\$15.5 million) of Exchangeable Notes. Pursuant to this arrangement, if Sino-Wood does not complete an initial public offering prior to the maturity date of the Convertible Notes, then Ruby Worldwide Limited is entitled to receive an additional redemption premium of approximately US\$2.5 million under the Convertible Notes on the maturity date. However, if there is an initial public offering of Sino-Wood prior to the maturity date, then Ruby Worldwide Limited is entitled to receive US\$2.3 million in lieu of foregone interest on the maturity date of the Exchangeable Notes. Ruby Worldwide Limited may elect to receive 1,880,245 Subordinate-Voting Shares in lieu of this US\$2.3 million cash payment.

As part of the above transaction, Sino-Wood also issued to Ruby Worldwide Limited 66,325 class B shares of Sino-Wood which are convertible into ordinary shares of Sino-Wood on a one-for-one basis. In the event that a listing of the ordinary shares of Sino-Wood on the Hong Kong Stock Exchange does not occur by September 10, 2004, the Corporation has the right to purchase all outstanding class B shares held by Ruby Worldwide Limited at a price of HK\$1.00 per class B share.

Purchase of Rights from Management

In connection with the Corporation’s intention to effect an initial public offering and listing of Sino-Wood on the Hong Kong Stock Exchange, in March 2003, the Corporation granted rights to Allen T.Y. Chan, Kai Kit Poon and Kee Y. Wong, conditional upon completion of the initial public offering and Hong Kong Stock Exchange listing, to acquire 5% of the equity of Sino-Wood for nominal consideration (the “Rights”). Although as of the date of this management information circular, Sino-Wood has not completed an initial public offering and the listing of its shares on the Hong Kong Stock Exchange, the Corporation’s independent directors have determined, in view of the proposed public offering (the

“**Offering**”) of Subordinate-Voting Shares by the Corporation as described in the short form prospectus (the “**Prospectus**”) filed by the Corporation with certain Canadian securities regulators on May 7, 2004, that it is appropriate to restructure the Rights.

Accordingly, conditional upon completion of the Offering, the Corporation has agreed to purchase the Rights for an aggregate purchase price not to exceed approximately Cdn\$12 million (US\$9.4 million), which will be paid by the issuance of up to a maximum of 2.4 million Subordinate-Voting Shares. The Subordinate-Voting Shares will be issued at a price per share determined at the completion of the Offering and equal to the offering price. If the value of such Subordinate-Voting Shares issued to management is less than Cdn\$12 million, such members of management shall not be entitled to any additional consideration. For further details regarding the purchase of the Rights, please refer to the Prospectus which is available on the Corporation’s public records at www.sedar.com.

In consideration of the Corporation’s intention to purchase the Rights, and in recognition of the Offering, Messrs. Chan, Poon and Wong have also agreed to the cancellation of existing options originally granted to them in November 1997, to acquire up to approximately 8.1% of the equity of a predecessor to Sino-Panel Holdings, Limited, a subsidiary of the Corporation (which was subsequently changed to approximately 8.1% of the equity of Sino-Panel Holdings, Limited) for nominal consideration, including any shares issuable as a result of a public offering of Sino-Panel Holdings, Limited (the “**Sino-Panel Options**”). The agreement to sell the Rights to the Corporation and to the cancellation of the Sino-Panel Options as described above is subject to, and conditional upon, completion of the Offering.

Other than the interests disclosed in the preceding paragraphs, no insider (as such term is defined in the *Securities Act* (Ontario)) or any associate or affiliate of the foregoing has any interest, direct or indirect, in any material transactions in which the Corporation has participated since the beginning of the last financial year of the Corporation or in any proposed transaction which has materially affected or will materially affect the Corporation.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. 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 of the directors elected at the Meeting will hold office from the beginning of their respective terms 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 15, 2004:

Name and Place of Residence	Principal Occupation	Director Since	Number and Class of Shares Beneficially Owned or Controlled
Allen T.Y. Chan ⁽¹⁾⁽²⁾ Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	5,392,753 Subordinate-Voting Shares ⁽⁴⁾
Kai Kit Poon Hong Kong	President and Director of the Corporation and of Sino-Wood Partners, Limited	1994	2,353,105 Subordinate-Voting Shares ⁽⁵⁾
Edmund Mak ⁽¹⁾⁽²⁾⁽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 ⁽³⁾ Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director of the Corporation	1997	nil
R. John (Jack) Lawrence ⁽¹⁾⁽²⁾ Toronto, Ontario	Chairman of Lawrence & Company Inc., a private investment company	1997	50,000 Subordinate-Voting Shares ⁽⁶⁾
Simon Murray Hong Kong	Chairman of General Enterprise Management Services Limited	1999	100,000 Subordinate-Voting Shares

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Included in Mr. Chan's shareholdings are (i) 2,842,753 Subordinate-Voting Shares owned by ADS Holdings (BVI) Limited, a company owned by three family trusts under which family members and associates of Mr. Chan are beneficiaries; (ii) 2,250,000 Subordinate-Voting Shares held by Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited; and (iii) 300,000 Subordinate-Voting Shares beneficially owned by Well Conduct Corporation, a corporation beneficially owned by Mr. Chan.
- (5) The 2,353,105 Subordinate-Voting Shares are owned by Natural Forest Limited, a corporation controlled by Mr. Poon.
- (6) These shares are beneficially owned by Lawrence & Company Inc., a corporation controlled by Mr. R. John (Jack) Lawrence.

2. Appointment of Auditor

Management proposes to nominate Ernst & Young LLP, which firm has been auditor of the Corporation since its appointment by the board of directors of the Corporation effective November 23, 2000 as auditor 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 appointment of Ernst & Young LLP as auditor of the Corporation and the authorizing of the directors to fix its remuneration. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of auditor.

3. Special Resolution Authorizing Restructuring of Share Capital

The share capital of the Corporation currently consists of an unlimited number of Subordinate-Voting Shares, 6,000,000 class B multiple-voting shares (the “**Multiple-Voting Shares**”) and an unlimited number of preference shares, issuable in series (the “**Preference Shares**”). As of the date of this management information circular, 96,319,548 Subordinate-Voting Shares, no Multiple-Voting Shares and no Preference Shares were issued and outstanding.

Management of the Corporation has determined that it would be in the best interests of the Shareholders to simplify its share capital structure by removing the Multiple-Voting Shares from the authorized capital of the Corporation and reclassifying the Subordinate-Voting Shares as common shares. Therefore, the Corporation proposes to, by way of Articles of Amendment, restructure its share capital structure (the “**Restructuring**”) by (i) reclassifying the Subordinate-Voting Shares as common shares (the “**Common Shares**”); (ii) removing from the authorized capital of the Corporation the Multiple-Voting Shares and the rights, privileges, restrictions and conditions attached thereto; and (iii) amending the rights, privileges, restrictions and conditions attaching to the Preference Shares to give effect to items (i) and (ii). Shareholders are being asked to approve a special resolution (the “**Restructuring Resolution**”) to amend the Articles of the Corporation to give effect to the Restructuring, all as set out in greater detail below. The rights, privileges, restrictions and conditions of the Common Shares and the Preference Shares are proposed to be as described in the Restructuring Resolution attached hereto as Schedule “B”.

Following the passage of the Restructuring Resolution and upon the effective date of the Articles of Amendment, each holder of Subordinate-Voting Shares will then hold one (1) Common Share for each Subordinate-Voting Share previously held. The Corporation will adopt a new form of certificate representing the Common Shares. Although the current Subordinate-Voting Share certificates will continue to represent the Common Shares, Shareholders will be entitled to replace their Subordinate-Voting Share certificates for Common Share certificates upon surrendering their certificates and providing such other documentation as may be required by the Corporation to CIBC Mellon Trust Company, the transfer agent of the Corporation.

Accordingly, the Board of Directors of the Corporation has authorized the submission of the Restructuring Resolution to the Shareholders at the meeting, in the form attached hereto as Schedule “B”. In order to approve the special resolution, two-thirds of the votes cast at the meeting must be voted in favour thereof. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE SPECIAL RESOLUTION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST THIS RESOLUTION.**

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 Instrument 44-101, the Corporation will provide to any Shareholder, without charge, upon request to the secretary of the Corporation, one copy of any of the following documents:

- (a) the Corporation's current annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form;
- (b) the comparative financial statements of the Corporation for the year ended December 31, 2003 together with the accompanying report of the auditor and any interim financial statements of the Corporation that have been filed for any period after December 31, 2003; and
- (c) this management information circular.

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 auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: May 10, 2004.

(signed) 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 reports by the Corporation’s senior management. In addition, the Audit Committee, through reviewing the activities and findings of the Corporation’s external auditor, is aware of many of the principal financially-oriented 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 Committee reviews with management and the Corporation’s external auditor the 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 TSX 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 three 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, is responsible for the review of 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 current members of the Board, Messrs. Lawrence, Mak and Murray are considered “unrelated” to the Corporation.

The Corporation does not have a “significant shareholder”, which the TSX 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.

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 is responsible (i) for the review of the membership and chairs of the Board committees, as well as the mandates and activities of each committee; and (ii) to 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.

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 six members. The Board has reviewed its size and has concluded that a range of five to eight directors 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 is responsible for the review and approval of 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 what the committee believes to be 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.*

Each of the Audit and Compensation Committees are currently comprised of a majority of non-management and unrelated directors. One of the two members of the Corporate Governance Committee is a non-management and unrelated director.

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 reports by senior management and based on the Audit Committee's review of the findings of the external auditor; (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 auditor. In addition to the specific responsibilities enumerated above, the Board is responsible for the supervision of the 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 auditor 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 Committee has primary responsibility for ensuring the integrity of the Corporation's financial reporting, risk management and internal controls. The Audit Committee has unrestricted access to the Corporation's personnel and documents and has direct communication channels with the Corporation's external auditor in order to discuss audit and related matters whenever appropriate. The Audit 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 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 auditor regarding financial reporting and internal controls. Moreover, the Audit Committee is responsible for correcting weaknesses identified by the external auditor with respect to the internal control systems and for ensuring that the recommended corrections had been implemented.

The composition of the Audit Committee is described above. Mr. Chan has been appointed as a member of the Audit 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.

Schedule "B"

RESTRUCTURING RESOLUTION

"BE IT RESOLVED AS A SPECIAL RESOLUTION, THAT:

1. The articles of continuance of the Corporation dated June 25, 2002 under the *Canada Business Corporations Act* (the "Articles"), are hereby amended as follows:
 - (a) BY CHANGING the designation as a class of the unlimited number of shares without nominal or par value of a class designated as Class A Subordinate-Voting shares (hereinafter called the "Subordinate-Voting Shares") by redesignating such Subordinate-Voting Shares as common shares (hereinafter called the "Common Shares");
 - (b) BY DELETING as a class the 6,000,000 shares without nominal or par value of a class designated as Class B Multiple-Voting shares (hereinafter called the "Multiple-Voting Shares"), of which no shares are issued and outstanding;
 - (c) After giving effect to the foregoing, BY DELETING in their entirety the provisions of article 3 of the Articles with respect to the classes and any maximum number of shares that the Corporation is authorized to issue, and substituting therefor the provisions set out in Exhibit "1" attached hereto; and
 - (d) BY CHANGING AND EXCHANGING all of the issued and outstanding Subordinate-Voting Shares, as at the moment in time immediately preceding the effectiveness and existence of these articles of amendment into Common Shares on the basis of one (1) Common Share for each Subordinate-Voting Share.
2. Notwithstanding this resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation be and they are hereby authorized and empowered to revoke this resolution at any time prior to the endorsement by the Director under the *Canada Business Corporations Act* (the "Act") of a certificate of amendment of articles giving effect to the foregoing amendments to the articles of the Corporation without further approval of the shareholders of the Corporation.
3. Any director and/or officer of the Corporation be and such director or officer of the Corporation is hereby authorized and empowered, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered any and all such documents and instruments and do or to cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to fulfil the intent of the foregoing paragraphs of this special resolution including, without limitation, the filing of the articles of amendment, in duplicate, with the Director under the Act."

Exhibit “1”

The authorized capital of the Corporation shall consist of the following:

- (a) an unlimited number of shares without nominal or par value of a class designated as common shares (hereinafter called the “Common Shares”); and
- (b) an unlimited number of shares without nominal or par value of a class designated as preference shares (hereinafter called the “Preference Shares”) issuable in series.

- 1. The rights, privileges, restrictions and conditions attaching to the Common Shares are as follows:
 - (a) vote at any meeting of shareholders of the Corporation other than meetings of the holders of another class of shares;
 - (b) to receive the remaining property of the Corporation upon dissolution; and
 - (c) to receive any dividend declared by the directors of the Corporation on the Common Shares.
- 2. The rights, privileges, restrictions and conditions attaching to the Preference Shares issuable in series are as follows:

Series

The Preference Shares may be issued at any time or from time to time in series, each series to consist of such number of Preference Shares as shall be set by the board of directors; each series shall be appropriately designated by some distinguishing number, letter or title. The Preference Shares of each series shall rank on a parity with the Preference Shares of every other series with respect to priority in payment of dividends and return of capital in the event of the liquidation, dissolution or winding up of the Corporation and have a preference over the Common Shares and any other shares ranking junior to the Preference Shares.

Directors

The board of directors shall determine the designations, rights, privileges, restrictions, conditions and other provisions to be attached to the Preference Shares of each series, subject to the limitations contained herein.

- 3. The holders of any class or series of shares of the Corporation shall not be entitled to dissent and shall not be entitled to vote separately as a class or series upon a proposal to amend the articles of the Corporation in respect of any amendment referred to in clauses 176(1)(a), (b) and (e) of the *Canada Business Corporations Act*.