

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 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 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 ("Intermediaries") for distribution to Shareholders ("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/or 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 striking out the names of the persons designated in the enclosed form of proxy and 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, L3B 3C3 (the "Head Office"), or its transfer agent and registrar, The R-M Trust Company, 393 University Avenue, 5th Floor, Toronto, Ontario, M5G 2M7 not later than the close of business on Friday, June 13, 1997 or any adjournment thereof at which the proxy is to be used, or delivering it to the chairman 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, 200 King Street West, Suite 2004, P.O. Box 86, Toronto, Ontario, M5H 3T4, at any time up to and including the last business day preceding the day of the Meeting, Friday, June 13, 1997, 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 May 8, 1997, 61,565,000 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 12, 1997 as 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 such record date. Each holder of such shares named in the list will be entitled to vote the shares shown opposite his name on the list at the Meeting except to the extent that (a) the Shareholder has transferred any of his shares after the date on which the list was prepared, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns such shares and demands not later than ten days before the Meeting that his name be included on the list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at May 8, 1997, 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 of the total issued and outstanding shares of the Corporation are as follows:

Name	Number of Shares Owned (Percentage of Class)		Percentage of Voting Rights
	Class A Subordinate-Voting Shares	Class B Multiple-Voting Shares	
ADS Holdings (BVI) Limited ⁽¹⁾	5,195,005 Shares (8.44%)	nil	5.67%
Natural Forest Limited ⁽²⁾	4,389,105 Shares (7.13%)	2,250,000 Shares (37.5%)	17.08%
Forest Investment Partners, Ltd. ⁽³⁾	2,255,500 Shares (3.66%)	3,750,000 Shares (62.5%)	22.94%

⁽¹⁾ ADS Holdings (BVI) Limited is owned by three family trusts under which family members and associates of Mr. Allen T.Y. Chan and Ms. Leslie Chan are beneficiaries.

⁽²⁾ Natural Forest Limited is controlled by Mr. Kai Kit Poon.

⁽³⁾ Forest Investment Partners, Ltd. is controlled by Mr. Allen T.Y. Chan and Ms. Leslie Chan.

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. Except for Messrs. Lawrence and Rosenfeld, all of the nominees for director are now directors of the Corporation and have been since the dates set opposite their names.

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 or her 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 May 8, 1997:

<u>Name</u>	<u>Present Position and Offices with the Corporation and Affiliates</u>	<u>Director Since</u>	<u>Number and Class of Shares Beneficially Owned or Controlled</u>
Allen T.Y. Chan ⁽¹⁾ Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	7,450,505 Subordinate-Voting Shares; 3,750,000 Multiple-Voting Shares ⁽²⁾
Kai Kit Poon Hong Kong	President and Director of the Corporation and of Sino-Wood Partners, Limited	1994	2,255,500 Subordinate-Voting Shares; 2,250,000 Multiple-Voting Shares ⁽³⁾
John Thompson ⁽¹⁾ Toronto, Ontario	Secretary and Director of the Corporation	1994	593,102 Subordinate-Voting Shares
Edmund Mak ⁽¹⁾ Vancouver, B.C.	Director of the Corporation	1994	nil
Kee Y. Wong Mississauga, Ontario	Senior Vice President, Corporate Development, Chief Financial Officer and Director of the Corporation	1997	nil
R. John (Jack) Lawrence Toronto, Ontario	N/A	-	311,200 ⁽⁴⁾
William P. Rosenfeld Toronto, Ontario	N/A	-	nil

(1) Member of the Audit Committee.

(2) These shares are beneficially owned by ADS Holdings (BVI) Limited, which is owned by three family trusts under which family members and associates of Mr. Allen T.Y. Chan are beneficiaries, and Forest Investment Partners, Ltd., which is controlled by Mr. Allen T.Y. Chan. See "Voting Securities and Principal Holders Thereof".

(3) These shares are beneficially owned by Natural Forest Limited, which is controlled by Mr. Kai Kit Poon. See "Voting Securities and Principal Holders Thereof".

(4) These shares are beneficially owned by Lawrence & Company Inc. which is controlled by Mr. R. John (Jack) Lawrence.

The principal occupations during the past five years of the two nominees who are not currently directors of the Corporation are as follows:

R. John (Jack) Lawrence. Mr. Lawrence is the Chairman of Lawrence & Company Inc., a private investment company. Previously, he was Chairman and Chief Executive Officer of Bank of Montreal Investment Counsel Limited and Deputy Chairman of Nesbitt Burns Inc. Prior thereto, he was Chairman and Chief Executive Officer of Burns Fry Limited. He is a director of Methanex Corporation and a number of private companies.

William P. Rosenfeld. Mr. Rosenfeld is a partner in the law firm of Goodman Phillips & Vineberg in Toronto where his practice focuses primarily on securities law and banking law, both domestic and international, with particular emphasis on China. He was previously a senior legal advisor to the Canadian Foreign Investment Review Agency. He is a director of a number of TSE listed companies.

EXECUTIVE COMPENSATION

1. SUMMARY COMPENSATION TABLE

The following sets forth the compensation paid or awarded to the Chairman and Chief Executive Officer of the Corporation for the Corporation's financial years ended December 31, 1996, 1995 and 1994. The Corporation has only one "executive officer" within the meaning of the *Securities Act* (Ontario) whose compensation must be disclosed.

Name and Principal Position	Financial Year Ended	Annual Compensation			Long-term Compensation Awards		Payouts	All other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Option/SARs ⁽¹⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Allen T.Y. Chan, Chairman and Chief Executive Officer	1996	\$64,000	nil	nil	nil	nil	nil	nil
	1995	\$64,000	nil	nil	nil	nil	nil	nil
	1994	nil	nil	nil	nil	nil	nil	nil

⁽¹⁾ "SAR" means a stock appreciation right.

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

No LTIP awards were made to the named executive officer during the fiscal year ended December 31, 1996.

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

During the fiscal year ended December 31, 1996, the following incentive stock options were granted to the named executive officer:

Name	Securities Under Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options/SARs on the Date of Grant (\$/Security)	Expiration Date
Allen T.Y. Chan, Chairman and Chief Executive Officer	400,000	6.74%	\$0.60	\$0.60	January 15, 2001
	440,000	7.42%	\$1.35	\$1.35	June 26, 2001
	1,200,000	20.23%	\$1.55	\$1.55	September 30, 2001

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

The named executive officer exercised an aggregate of 600,000 options to acquire Subordinate-Voting Shares during the fiscal year ended December 31, 1996. The following table sets out the fiscal year end value of stock options held by the named executive officer:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-money Options/SARs at FY-End (\$) Exercisable/ Unexercisable
Allen T.Y. Chan, Chairman and Chief Executive Officer	600,000	\$600,000	1,640,000 ⁽¹⁾ /0	0/0

⁽¹⁾ The grant of these options is subject to shareholder approval at the Meeting.

5. OPTION AND SAR REPRICINGS

The Corporation did not make any downward repricing of stock options during the financial year ended December 31, 1996.

6. COMPENSATION OF DIRECTORS

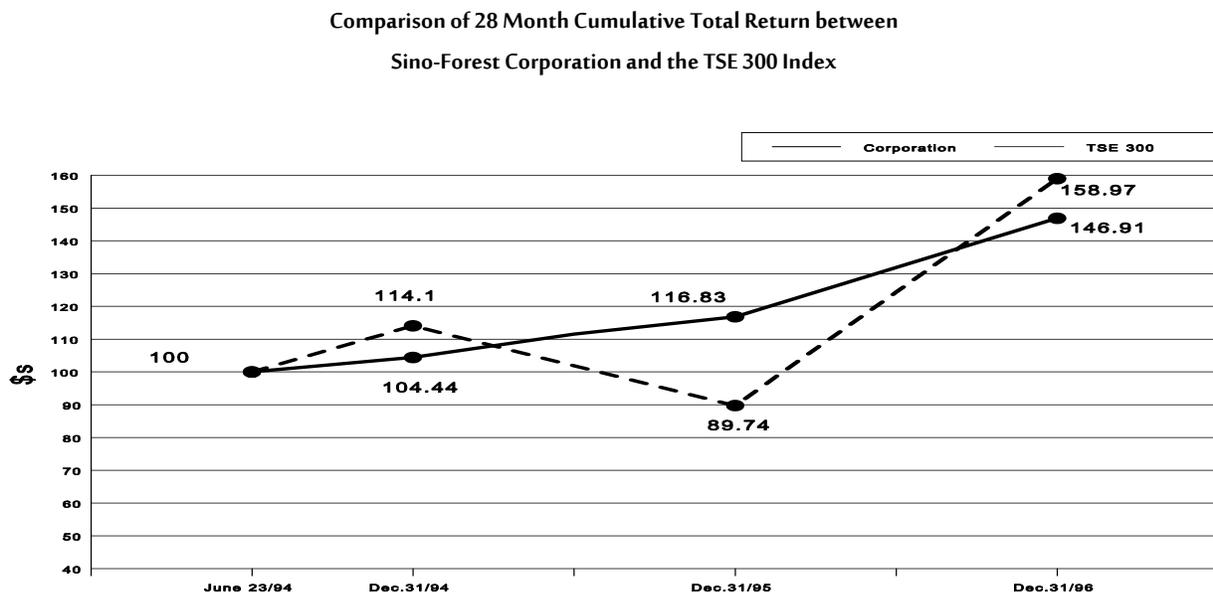
During the financial year ended December 31, 1996, no cash compensation was paid to the directors of the Corporation.

7. COMPENSATION COMMITTEE AND REPORT ON EXECUTIVE COMPENSATION

The Corporation does not have a compensation committee. The duties that would be carried out by such committee are to be carried out by the Board of Directors. The Board of Directors will meet on compensation matters as and when required with respect to executive compensation. The primary goal of the Board of Directors is to ensure that the compensation provided to the Corporation's executive officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the executive officers is matched with the financial interest of shareholders. The Corporation's executive 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.

8. 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 June 23, 1995 to December 31, 1996 assuming \$100 investments:



INDEBTEDNESS OF DIRECTORS AND OFFICERS

Mr. Lawrence Hon, the Corporation's Senior Vice-President, Operations, is currently indebted to the Corporation in the principal amount of \$399,750 in respect of amounts borrowed in connection with exercising stock options in an equivalent amount of funds, which funds were used to acquire an aggregate of 335,000 Subordinate-Voting Shares. As at December 31, 1996, the amount of indebtedness was \$60,000. All such indebtedness is non-interest bearing. The amounts owing are secured by a pledge of the 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. The amounts owing are also repayable in the event that Mr. Hon ceases for any reason to be an officer or employee of the Corporation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Toronto Stock Exchange (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. 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. Following the appointment of the nominees proposed by management at the Meeting, it is anticipated that the Board of Directors will further review and consider the recommendations of the Report.

The Board of Directors is currently comprised of five directors. With the appointment of the nominees proposed by management at the Meeting, a majority of directors (Messrs. Lawrence, Mak, Rosenfeld and Thompson) will be outside directors, unrelated to management of the Corporation. 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, Senior Vice President, Corporate Development and Chief Financial Officer of the Corporation, represent both the management and the principal Shareholders of the Corporation. In their capacities as senior officers they report to the Board of Directors.

The Corporation's operating subsidiary, and most of its management, are located in Hong Kong and its operations are in various provinces of China. The Corporation's Chief Financial Officer is located in Toronto. Because of the distance and time difference, most of the Corporation's Board of Directors meetings are held by telephone with Mr. Allen T.Y. Chan visiting Canada periodically.

The primary objective of the Corporation is to enhance Shareholder value through the profitable and efficient conduct of the business of the Corporation.

The Board of Directors is responsible to the Shareholders for the proper management of the Corporation and meetings of the Board are held as required to set and monitor the corporate strategy, review operations and reports to Shareholders. Decisions relating to carrying out the operations of the Corporation are delegated by the Board of Directors to management. The Board of Directors expects management to actively pursue the Corporation's objectives and report regularly to it.

The Board of Directors has an audit committee consisting of Messrs. Chan, Mak and Thompson. A majority of its members are outside directors. The audit committee oversees the Corporation's financial reporting process and internal controls, and consults with

management and the Corporation's auditors on matters relating to the annual audit of the Corporation. It reviews and reports to the Board of Directors on internal controls, published financial statements and accounting principles and auditing procedures applied by the Corporation.

The Corporation does not have a nominating committee. When a new director is to be elected or appointed, the Chairman is expected to consult with fellow directors and management for suggestions and, in considering appointments, the Board of Directors is expected to take into account the objectives of the Corporation and the then current composition of the Board of Directors.

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, 1996, at a cost of approximately U.S.\$581,000. 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 in 1996, including governmental relations and technical services, for which such company received a fee of approximately U.S.\$234,000.

During 1996, a company in which Mr. Lawrence Hon, an officer of the Corporation, is a director and a shareholder of, provided the Corporation's operating subsidiary with certain corporate management services rendered, for which such company received a fee of approximately U.S.\$122,000.

A company associated with Mr. John Thompson, one of the directors of the Corporation, provided investor relations and related consulting services to the Corporation during 1996 at a cost of U.S.\$44,000 to the Corporation. These arrangements have now been terminated.

Mr. John Thompson is also a director, officer and significant shareholder of GTL Securities Inc., one of the underwriters in connection with the Corporation's 1996 offering of \$30,000,000 of securities. GTL Securities Inc. received commissions of approximately U.S.\$360,000 in respect of the offering. In addition, it received broker special warrants entitling the holder to acquire compensation options without payment of additional consideration. Such compensation options entitle the holder to acquire up to 960,000 Subordinate-Voting Shares at an exercise price of \$1.44 at any time on or before October 2, 1998.

APPOINTMENT OF AUDITORS

Management proposes to nominate Ernst & Young, Chartered Accountants, Toronto, which firm has been auditors of the Corporation since its incorporation in 1994, 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 appointment of Ernst & Young as auditors of the Corporation and the authorizing of the directors to fix their remuneration.

AMENDMENT TO STOCK OPTION PLAN

The Board of Directors has established a stock option plan (the “Stock Option Plan”) pursuant to which options to purchase Subordinate-Voting Shares may be granted to employees and insiders of the Corporation or any of its subsidiaries or any other person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation. Under the terms of the Stock Option Plan, the maximum number of Subordinate-Voting Shares which may be issued under the options granted pursuant to the Stock Option Plan is currently 4,200,000, provided that:

- (a) the number of shares reserved for issuance pursuant to the options issued and outstanding under the Stock Option Plan, together with options issued and outstanding under any other employee related plan of the Corporation or options for services granted by the Corporation to insiders of the Corporation, shall not exceed 10% of the issued and outstanding Subordinate-Voting Shares;
- (b) the number of shares which may be issued, within any one-year period, pursuant to the options issued and outstanding under the Stock Option Plan, together with those shares which may be issued and outstanding under any other employee-related plan of the Corporation or options services granted by the Corporation to insiders of the Corporation, shall not exceed 10% of issued and outstanding Subordinate-Voting Shares;
- (c) the number of shares which may be issued, within any one-year period, pursuant to the options issued and outstanding under the Stock Option Plan, together with those shares which may be issued under any other employee-related plan of the Corporation or options for services granted by the Corporation to any one insider and such insider’s associates, shall not exceed 5% of the issued and outstanding Subordinate-Voting Shares; and
- (d) the number of shares reserved for issuance pursuant to options issued and outstanding under the Stock Option Plan granted by the Corporation to any one person shall not exceed 5% of the issued and outstanding Subordinate-Voting Shares.

The Corporation may designate, from time to time, those persons who are eligible to participate in the Stock Option Plan and the number of shares subject to options, the earliest exercise date, the expiry date, vesting periods, the exercise price and any other matters relating thereto, subject to compliance with applicable laws and regulations and the applicable rules of any stock exchange upon which any of the shares of the Corporation may be listed. The exercise price of each option shall be equal to the value of the Subordinate-Voting Shares, determined as of the date immediately preceding the date of grant in accordance with the Stock Option Plan.

The Stock Option Plan also allows the Corporation to make loans or provide guarantees for loans by financial institutions to assist participants to purchase shares upon the exercise of the options so granted or to assist the participants to pay any income tax exigible upon the exercise of the options. Any such loans granted by the Corporation or any subsidiary shall be full recourse to the participants and secured by the shares purchased with the proceeds of the loan, and shall be at such rates of interest, if any, and on such other terms as may be determined by the Corporation.

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a resolution approving an amendment to the Stock Option Plan to delete clauses (a) to (c) above, and to increase the maximum number of Subordinate-Voting Shares which may be issued under options issued and outstanding pursuant to the Stock Option Plan to all participants to 10,000,000. The TSE has given its approval to such changes, subject to Shareholder approval being obtained. Management is of the opinion that the proposed amendment would be beneficial to the Corporation as it would provide the Corporation with greater flexibility to grant additional options pursuant to the Stock Option Plan and will assist the Corporation in its efforts to continue to attract qualified senior management, directors and other employees. A majority of the votes, other than votes attaching to shares beneficially owned by (i) insiders to whom shares may be issued pursuant to the Stock Option Plan, and (ii) associates of persons referred to in (i), cast in favour of the resolution is required for its approval. The terms "insiders" and "associates" have the meanings ascribed thereto in the TSE Company Manual.

CHANGE OF REGISTERED OFFICE OF THE CORPORATION

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution approving an amendment to the Articles of the Corporation to change the registered office of the Corporation from the Municipality of Metropolitan Toronto to the Regional Municipality of Peel. An affirmative vote of 66% of the votes cast in favour of the special resolution is required for its approval.

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

Dated: May 9, 1997.

(signed) Allen T. Y. Chan

Chairman and Chief Executive Officer