

# 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 common shares of the Corporation (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) 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 Ontario M5K 4A9 not later than the close of business on Friday, May 25, 2007 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, May 25, 2007, 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 Broadridge Financial Solutions, Inc. (“**Broadridge**”). Broadridge 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 Broadridge.

Broadridge 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 a Broadridge sticker on it cannot use that proxy to vote shares directly at the Meeting - the proxy must be returned to Broadridge 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 Thursday, April 26, 2007 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, 163,354,739 common shares of the Corporation (the “**Common 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 Common Shares on the Record Date. Each holder of such shares named on 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 executive officers of the Corporation, as at April 27, 2007, 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 Common Shares are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)	
	Common Shares	Percentage of Voting Rights
Aranda Investments Pte. Limited and Ellington Investments Pte. Limited, each an indirectly wholly owned subsidiary of Temasek Holdings (Pte) Limited <sup>(1)</sup>	21,551,912 shares	13.19%

**Note:**

- (1) The shareholdings are based upon the number of Common Shares purchased in the private placement completed by the Corporation on April 10, 2007 and based on information available on the public record.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the Vice Chairman; (iii) the President; (iv) the Senior Vice-President and Chief Financial Officer; and (v) the Vice President, Risk Management (collectively, the “**Named Executive Officers**”) for the Corporation’s financial years ended December 31, 2006, 2005 and 2004. The Corporation has five “executive officers” as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* whose compensation must be disclosed for the financial years ended December 31, 2006 and 2005 and three executive officers whose compensation must be disclosed for the financial year ended December 31, 2004.

Name and Principal Position	Financial Year Ended December 31	Annual Compensation			Long-term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation <sup>(1)</sup> (\$)	Awards		Payouts	
					Securities Under Option Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	All other Compensation (\$)
Allen T.Y. Chan, Chairman and Chief Executive Officer <sup>(2)</sup>	2006	US\$64,100	-	US\$259,794 <sup>(3)</sup>	750,000	-	-	-
	2005	US\$64,100	-	US\$248,000 <sup>(3)</sup>	750,000	-	-	-
	2004	US\$61,700	-	US\$130,000 <sup>(3)</sup>	-	-	-	-
Kee Y. Wong, Vice Chairman <sup>(4)</sup>	2006	US\$500,000	US\$2,149,000	US\$315,932 <sup>(5)</sup>	600,000	-	-	US\$5,298,000 <sup>(6)</sup>
	2005	US\$500,000	US\$2,016,000	US\$303,000 <sup>(5)</sup>	600,000	-	-	-
	2004	US\$500,000	US\$600,000	US\$150,600 <sup>(5)</sup>	-	-	-	-
Kai Kit Poon, President <sup>(7)</sup>	2006	US\$46,154	-	-	-	-	-	-
	2005	US\$46,280	-	-	-	-	-	-
	2004	US\$46,154	-	-	-	-	-	-
David J. Horsley, Senior Vice President and Chief Financial Officer <sup>(8)</sup>	2006	Cdn\$362,000	US\$750,000	-	-	-	-	-
	2005	Cdn\$79,872	US\$199,000	-	442,000	-	-	-
Thomas M. Maradin, Vice President, Risk Management	2006	Cdn\$221,250	Cdn\$67,500	-	180,000	-	-	-
	2005	Cdn\$72,000	Cdn\$12,500	-	-	-	-	-

**Notes:**

- (1) Unless otherwise disclosed, 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 financial years ended December 31, 2006, 2005 and 2004.
- (2) Mr. Allen T.Y. Chan is a director of a company which provided Sino-Wood Partners, Limited, a subsidiary of the Corporation (“Sino-Wood”), with certain corporate services which included cash management, risk management, sales and marketing, governmental relations and investor relations during the financial years ended December 31, 2006, 2005 and 2004, at a cost of approximately US\$2,700,000, US\$2,674,900 and US\$1,107,700, respectively.
- (3) The amounts included for Mr. Chan under “Other Annual Compensation” include perquisites and personal benefits for housing (US\$143,300), car benefits (US\$79,800), life insurance and club memberships.
- (4) Effective October 10, 2005, Kee Y. Wong ceased to be Executive Vice-President and Chief Financial Officer and was appointed Vice Chairman. Effective December 31, 2006, Mr. Wong resigned as Vice Chairman.
- (5) The amounts included for Mr. Wong under “Other Annual Compensation” include perquisites and personal benefits for housing (US\$185,000), school fees for Mr. Wong’s children, life insurance, airline tickets, club memberships and car benefits. The Corporation commenced providing such benefits (other than the life insurance) in 2004 as a result of Mr. Wong’s previous relocation to Hong Kong.
- (6) The amount represents a payment made in December 2006 at the conclusion of Mr. Wong’s employment.
- (7) Mr. Kai Kit Poon 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 years ended December 31, 2006, 2005 and 2004, at a cost of approximately US\$450,000, US\$438,200 and US\$423,100, respectively.
- (8) Effective October 10, 2005, Mr. Horsley was appointed Senior Vice President and Chief Financial Officer of the Corporation.

**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 financial year ended December 31, 2006.

**Option Grants During the Most Recently Completed Financial Year**

During the year ended December 31, 2006, the following incentive stock options were granted to the Named Executive Officers:

<b>Name and Position</b>	<b>Securities Under Options Granted (#) <sup>(1)</sup></b>	<b>% of Total Options Granted to Employees in Financial Year</b>	<b>Exercise or Base Price (\$/Security)</b>	<b>Market Value of Securities Underlying Options on the Date of Grant (\$/Security)</b>	<b>Expiration Date</b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	750,000	49.0%	\$5.50	\$5.17	August 15, 2011
Kee Y. Wong, Vice Chairman	600,000	39.2%	\$5.50	\$5.17	August 15, 2011
Thomas M. Maradin, Vice President, Risk Management	180,000	11.8%	\$4.36	\$4.36	August 25, 2011

**Note:**

(1) These options will vest annually over a three year period.

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

The following table sets out (i) the number of Common Shares issued to the Named Executive Officers upon the exercise of options during the year ended December 31, 2006 and the aggregate value realized upon such exercises; and (ii) the number and value of unexercised options held by the Named Executive Officers as at December 31, 2006:

<b>Name and Position</b>	<b>Securities Acquired on Exercise (#)</b>	<b>Aggregate Value Realized (\$)</b>	<b>Unexercised Options at FY-End (#) Exercisable/Unexercisable</b>	<b>Value of Unexercised in-the-money Options at FY-End (\$) Exercisable/Unexercisable <sup>(3)</sup></b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	-	-	1,500,000 <sup>(1)</sup> 250,000/1,250,000 <sup>(2)</sup>	\$1,040,000/\$3,827,500
Kee Y. Wong, Vice Chairman	-	-	1,200,000 1,200,000/-	\$3,894,000/-
David Horsley, Senior Vice President and Chief Financial Officer	-	-	442,000 <sup>(1)</sup> 197,333/244,667 <sup>(2)</sup>	\$892,318/\$1,195,142
Thomas M. Maradin, Vice President, Risk Management	-	-	180,000 <sup>(1)</sup> -/180,000 <sup>(2)</sup>	-\$624,600

**Notes:**

- (1) These options will vest annually over a three year period calculated from the date of grant.
- (2) As of December 31, 2006, these options had not yet vested.
- (3) Based upon a closing price of \$7.83 for the Common Shares on the Toronto Stock Exchange on December 29, 2006, being the last trading day of the financial year ended December 31, 2006.

**Option Repricings**

The Corporation did not make any downward repricing of stock options during the financial year ended December 31, 2006.

**Employment Agreements**

Kee Y. Wong entered into an employment agreement dated March 1, 2003 with Sino-Wood Partners, Limited (“**Sino-Wood**”), a subsidiary of the Corporation. The agreement provides that Mr. Wong is to be employed by the Corporation for an indefinite period unless terminated by Mr. Wong or the Corporation earlier in accordance with the terms of the agreement. The agreement states that if Mr. Wong’s employment is terminated by the Corporation, or Mr. Wong gives notice of termination in a defined set of circumstances compendiously described as “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 financial year) and a severance payment (calculated based on 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 agreement also states that 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, among other things: (i) any reduction or failure to pay Mr. Wong’s compensation or benefits; (ii) an assignment to Mr. Wong of duties materially inconsistent with his position and duties; (iii) any material diminution of his authority, responsibilities and reporting requirements (provided in each case that Mr. Wong gives a prior written notice of 30 days and Sino-Wood fails to rectify these events within such 30-day period); (iv) Mr. Wong is relocated from Hong Kong; (v) the agreement is not assigned to a successor company; (vi) the Chief Executive Officer of Sino-Wood is replaced; or (vii) after the passage of two years from the date of the agreement, Mr. Wong acting reasonably and in good faith decides that he has completed the fundamental tasks involved in securing a listing on the Hong Kong Exchange for an affiliated company and that he wishes to move his family from Hong Kong. Effective December 31, 2006, Mr. Wong terminated his employment with Sino-Wood. At the conclusion of his employment a payment of US\$5,298,000 was made by the Corporation.

David J. Horsley and the Corporation entered into an employment agreement as of October 10, 2005. The agreement provides that Mr. Horsley is to be employed by the Corporation for an indefinite period unless terminated by Mr. Horsley or the Corporation earlier in accordance with the terms of the agreement. The agreement provides for a base annual salary of \$350,000 (which amount is subject to annual review by the Board of Directors) and a monthly car allowance. Mr. Horsley is entitled to participate in the Corporation’s bonus plan for executives as determined on an annual basis. In the event of a termination of employment without cause, Mr. Horsley is entitled to a lump sum equal to his then current annual base salary plus an amount equal to the bonus, if any, paid to Mr. Horsley by the Corporation with respect to the prior fiscal year. In the event of a termination without cause within 180 days of a “Change in Control” (as such term is defined in the agreement), Mr. Horsley is entitled to payment of a lump sum equal to two times the severance entitlement described above. Mr. Horsley may terminate his employment on three months’ prior notice.

Thomas M. Maradin and the Corporation entered into an employment agreement dated September 1, 2005, as amended on June 1, 2006. The agreement provides that Mr. Maradin is to be employed by the Corporation for an indefinite period unless terminated by Mr. Maradin or the Corporation earlier in accordance with the terms of the agreement. The agreement provides for a base annual salary of

\$225,000. Mr. Maradin is also entitled to participate in the Corporation's employee bonus plan as determined on an annual basis.

### Compensation of Directors

The table set out below illustrates the Corporation's compensation structure for its Board of Directors and the committees thereof. The Corporation grants options to purchase Common Shares to non-executive directors on an annual basis. The directors are also reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors in addition to the compensation set out below.

For the financial year ended December 31, 2006, the Corporation paid an aggregate of \$218,292 to members of the Board of Directors and granted options to purchase an aggregate of 59,258 Common Shares to non-executive directors.

Annual Retainer		Per Meeting		
			In Person	Telephone
Director	\$20,000	Board	\$1,500	\$1,500 <sup>(1)</sup>
Chairman - Audit Committee	\$7,500	Audit Committee	\$1,000	\$1,000
Chairman – Compensation and Nominating Committee	\$5,000	Compensation and Nominating Committee	\$1,000	\$1,000
Chairman – Corporate Governance Committee	\$5,000	Corporate Governance Committee	\$1,000	\$1,000
Member – Audit Committee	\$5,000			
Member – Compensation and Nominating Committee	\$2,500			
Member – Corporate Governance Committee	\$2,500			

**Note:**

(1) \$1,000 fee if the telephonic meeting is less than one hour.

### Compensation and Nominating Committee and Report on Executive Compensation

The Compensation and Nominating Committee of the Corporation is currently made up of Mr. Judson Martin (Chairman), Mr. Simon Murray and Mr. James Hyde, all of whom are independent directors. The Compensation and Nominating Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation and Nominating Committee as it relates to compensation matters 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 aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Board (exclusive of the officers of the Corporation who are also members of the Board) reviews such recommendations and is responsible for ultimately determining executive compensation.

Generally, compensation is provided by the Corporation to its executive officers by way of salary, cash bonuses and the granting of stock options. The Compensation and Nominating Committee adopts an

annual executive compensation strategy in terms of the setting of salaries and bonuses and considers the individual performance of each executive officer and comparisons of executive compensation for other companies of similar size and in similar industries. The executive compensation strategy also contemplates an annual incentive bonus plan which is based upon a number of factors including certain pre-determined profit targets. Bonuses have been awarded after a review of overall performance of both the Corporation and the individual senior executive during the course of each calendar year.

The Compensation and Nominating Committee is of the view that the granting of stock options is an appropriate method of providing long-term incentives to senior executives of the Corporation and, in general, aligns the interests of the executives with those of the shareholders.

In setting the compensation awarded to Allen T.Y. Chan, the Chief Executive Officer of the Corporation, the Compensation and Nominating Committee reviews the achievements of Mr. Chan measured against established objectives and the executive compensation strategy for each year and gives consideration to the overall performance of the Corporation as well as the total compensation awarded to the industry comparison group. Also included in such overall assessment are specific initiatives undertaken in the year by the Corporation that have advanced the growth and progress of the Corporation and the enhancement of shareholder value during the year.

In the opinion of the Corporation and the Compensation and Nominating Committee, 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.

### **Insurance**

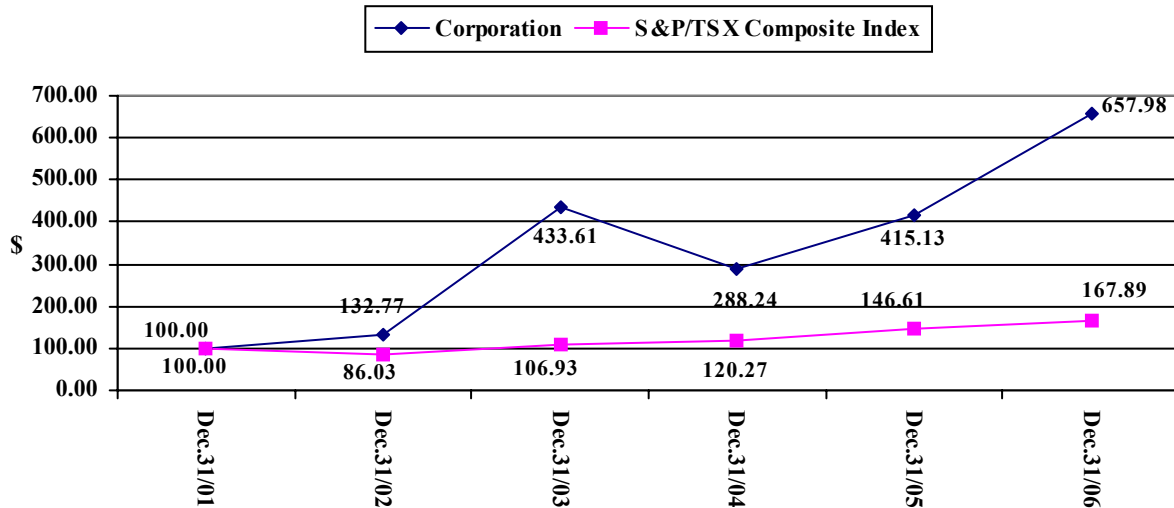
The Corporation has purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$15,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and its subsidiaries. For the financial year ended December 31, 2006, the Corporation paid a premium of \$82,080 (inclusive of provincial sales tax) in respect of such insurance.

### **Shareholder Return Performance Graph**

The Common Shares are listed for trading on the Toronto Stock Exchange (the "TSX"). The following graph shows the percentage change in the cumulative shareholder return on the Common Shares compared to the cumulative total return of the S&P/TSX Composite Index for the period from December 31, 2001 to December 31, 2006 assuming \$100 initial investments:



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



**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table provides information as of April 27, 2007 regarding the number of Common Shares to be issued upon the exercise of outstanding options and the weighted-average exercise price of the outstanding options in connection with the Corporation's stock option plan. The Corporation does not have any equity compensation plans that have not been approved by shareholders.

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Common Shares remaining available for future issuance under equity compensation plans
Stock Option Plan	5,816,258	\$3.69	3,173,742
Equity compensation plans not approved by security holders	-	-	-
<b>Total</b>	5,816,258	\$3.69	3,173,742

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at April 27, 2007, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the financial year ended December 31, 2006 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to

the Corporation or any of its subsidiaries during the financial year ended December 31, 2006 or as at April 27, 2007 in connection with security purchase programs or other programs.

## **REPORT ON CORPORATE GOVERNANCE**

Maintaining a high standard of corporate governance is a top priority for the Board of Directors and the Corporation's management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. The Board of Directors has carefully considered the Corporation's corporate governance practices against the corporate governance guidelines set out in National Policy 58-201 and believes that they are well aligned with such guidelines.

The Board of Directors has also reviewed its corporate governance practices in light of Multilateral Instrument 52-108 - *Auditor Oversight*, Multilateral Instrument 52-109 - *Certification of Disclosure In Companies Annual and Interim Filings* and Multilateral Instrument 52-110 - *Audit Committees* and believes that the Corporation is also well aligned with such instruments. In August 2005, the Corporation adopted a set of charters and corporate governance policies which are referred to throughout this management information circular.

### **Independence of Directors**

The Board of Directors currently consists of a total of six directors of which Edmund Mak, Simon Murray, Judson Martin and James M.E. Hyde are considered "independent", as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Allen T.Y. Chan and Kai Kit Poon are not considered independent as they are executive officers of the Corporation.

Mr. Martin is also a trustee of Somerset Entertainment Income Fund (SOM: TSX) and a director of SkyPower I GP Inc., the general partner of Skypower Wind Energy Fund LP. Mr. Murray is also a director of: (i) a number of companies listed on the Main Board of the Hong Kong Stock Exchange, namely, Arnhold Holdings Limited (0102.HK), Cheung Kong (Holdings) Limited (0001.HK), Hutchison Whampoa Limited (0013.HK), Orient Overseas (International) Limited (0316.HK), USI Holdings Limited (0369.HK); and (ii) Compagnie Financière Richemont SA (CFR: SWX), a company listed on the Swiss Stock Exchange. The remaining directors are not directors of any other reporting issuers (or the equivalent).

The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Since the beginning of the Corporation's most recently completed financial year: (i) the independent directors of the Board of Directors held three such meetings; (ii) the Audit Committee held three such meetings; (iii) the Compensation and Nominating Committee held two such meetings; and (iv) the Corporation Governance Committee held one such meeting.

The Chairman of the Board, Allen T.Y. Chan, Chief Executive Officer, is not an independent director. The Board is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Corporation with the benefit of having a Chairman of the Board with extensive experience and knowledge of the business of the Corporation. In addition, the Board has created the position of Lead Director, whose primary role and responsibilities consists of, among other things, providing leadership to enhance director effectiveness, managing the Board and acting as a liaison between the Board and Management. Effective March 22, 2007, the Board appointed Judson Martin as Lead Director.

The following is a summary of the number of Board of Directors and committee meetings held during the financial year ended December 31, 2006 and the attendance record of each director:

*Summary of Board and Committee Meetings Held*

<b>Type of Meeting</b>	<b>Number of Meetings</b>
Board	10
Audit Committee	15
Compensation and Nominating Committee	2
Corporate Governance Committee	2
<b>Total Number of Meetings Held</b>	<b>29</b>

*Summary of Attendance of Directors at Board and Committee Meetings*

<b>Director</b>	<b>Board Meetings Attended</b>	<b>Committee Meetings Attended</b>
Allen T.Y. Chan	10 out of 10	n/a
Kai Kit Poon	1 out of 10	n/a
Edmund Mak	10 out of 10	14 out of 17
Kee Y. Wong <sup>(1)</sup>	10 out of 10	n/a
Simon Murray	3 out of 10	2 out of 2
Judson Martin <sup>(2)</sup>	9 out of 9	18 out of 18
James M.E. Hyde	10 out of 10	17 out of 17
David J. Horsley <sup>(3)</sup>	1 out of 1	1 out of 1
Jack Lawrence <sup>(4)</sup>	4 out of 7	2 out of 2

**Notes:**

- (1) Effective December 31, 2006, Kee Y. Wong resigned as a director of the Corporation.
- (2) Effective January 31, 2006, David H. Horsley resigned as a director of the Corporation.
- (3) Effective January 31, 2006, Judson Martin replaced David J. Horsley as a director of the Corporation.
- (4) Effective June 5, 2006, Jack Lawrence resigned as a director of the Corporation.

**Requirement for Share Ownership**

In 2005, the Board implemented a policy that directors are expected to purchase such number of Common Shares equal to two times the annual retainer amount (being \$40,000 based upon the current annual retainer amount as indicated in the table under the heading “Compensation of Directors” set out above) within a four-year period. At a minimum, directors are expected to acquire such number of Common Shares as is equal to half of such amount (being \$20,000) within the first two years of serving as a director.

**Mandate of the Board of Directors**

The Board of Directors is elected by and is accountable to the shareholders of the Corporation. The mandate of the Board is to continually govern the Corporation and to protect and enhance the assets of the Corporation in the long-term best interest of all shareholders. The Corporation adopted a written mandate for its directors in August 2005, a copy of which is attached hereto as Schedule “A”.

**Position Descriptions**

The Board has approved written mandates and descriptions for the positions of each director, the Chairman and the Chief Executive Officer, as well as written mandates for each Board committee. These mandates and descriptions are to be reviewed regularly against both best practices and the requirements of the Corporation.

## **Orientation and Continuing Education**

The Corporation has developed a detailed directors' handbook, which includes orientation and education material, Board and Committee mandates, and the Code of Business Conduct for employees, policies and other relevant information. All new directors are given this handbook upon their appointment. The handbook is reviewed and updated as required. The Board does not provide a formal continuing education program for its directors; however, the Board, with or without the assistance of advisors, updates the directors from time to time on changing governance and legal issues. In addition, the Board undertakes thorough strategic planning sessions with Management.

## **Code of Business Conduct**

The Board has adopted a written Code of Business Conduct for its employees, officers and directors. A copy of the Code of Business Conduct may be found on [www.sedar.com](http://www.sedar.com). The Board monitors compliance, including through receipt by the Audit Committee of reports of unethical behaviour. No waivers from the Code of Business Conduct have been sought or granted. All directors who have a material interest in any proposed transaction or agreement contemplated by the Corporation are excluded from the portion of the meeting concerning such matters and are further precluded from voting on such matters.

## **Assessments**

The Board, through its Corporate Governance Committee, regularly assesses the performance of the Board overall, the committees, and the individual directors through a combination of formal (including the completion of a Board Effectiveness Survey by each director) and informal means.

## **Committees**

The Board of Directors currently has three committees: the Audit Committee, the Corporate Governance Committee, and the Compensation and Nominating Committee. The committees, their mandates and memberships are discussed below. The Corporation also maintains a Disclosure Committee made up of senior management.

### *Audit Committee*

The Audit Committee's primary purpose is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting and accounting compliance, the audit process and processes for identifying, evaluating and monitoring the management of the Corporation's principal risks impacting financial reporting. The committee also assists the Board of Directors with the oversight of financial strategies and overall risk management.

The Audit Committee is composed of Mr. James Hyde (Chairman), Mr. Edmund Mak and Mr. Judson Martin, each of whom is a director of the Corporation. Each of the members of the Audit Committee is "independent" and "financially literate" as such terms are defined in Multilateral Instrument 52-110 – *Audit Committees*.

A copy of the charter of the Audit Committee is attached as an appendix to the Annual Information Form of the Corporation for the year ended December 31, 2006, a copy of which is available electronically at [www.sedar.com](http://www.sedar.com). The section of the Annual Information Form entitled "Audit Committee" contains disclosure required by Multilateral Instrument 52-110 - *Audit Committees*.

### *Corporate Governance Committee*

The role of the Corporate Governance Committee is to develop and recommend standards of performance for the Board of Directors, its committees and individual directors. The Corporate Governance Committee is composed of Mr. Judson Martin (Chairman), Mr. Edmund Mak and Mr. James Hyde.

### *Compensation and Nominating Committee*

The composition and description of the duties and responsibilities of the Compensation and Nominating Committee as they relate to compensation matters is set out above under the heading “Executive Compensation - Compensation and Nominating Committee and Report on Executive Compensation”.

The Compensation and Nominating Committee is also responsible for co-ordinating and managing the process of recruiting, interviewing, and recommending candidates to the Board of Directors. This committee has a formal written charter which outlines the committee’s responsibilities, requisite qualifications for new directors, the appointment and removal of directors and the reporting obligations to the Board of Directors. In addition, the Compensation and Nominating Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.

The Compensation and Nominating Committee is composed of Mr. Judson Martin (Chairman), Mr. James Hyde and Mr. Simon Murray, all of whom are considered “independent”.

### *Disclosure Committee*

A Disclosure Committee has been established to assist the executive officers of the Corporation in fulfilling their responsibility for oversight of the completeness, accuracy and timeliness of the disclosures made by the Corporation. The initial members of the committee are the Vice President, Finance and Group Financial Controller, Vice President, Risk Management, Vice President, Corporate Planning, Banking and Sales, Manager – Investor Communication & Relations and Manager – Legal Affairs.

The Disclosure Committee is responsible for (a) timely disclosure in accordance with applicable regulatory requirements, (b) determining whether information is material, (c) designing and establishing controls and other procedures to ensure information required is recorded, processed, summarized and reported to management including the senior officers, (d) monitoring compliance with the disclosure policy, (e) reviewing in advance all financial and other information to be posted on the Corporation’s website, (f) educating directors, officers and certain employees about disclosure issues and disclosure policy, (g) evaluating the effectiveness of the controls, reviewing and (h) supervising the preparation of the Corporation’s public representations.

### **Investor Feedback**

The Corporation has put in place measures to facilitate communications with Shareholders and the public in general. Feedback and concerns from Shareholders and the general public are received by the Corporation by facsimile, telephone or e-mail. The Corporation intends to keep its Shareholders informed through shareholder meetings as well as by press releases, quarterly financial statements, financial reports and other documentation, as well as by the Corporation’s website.

In the normal course, Shareholder queries and comments should be directed to Ms. Louisa Wong at 852.2514.2109 or by email at [louisa-wong@sinoforest.com](mailto:louisa-wong@sinoforest.com).

## INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed below, no “informed person” (as such term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations*) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since January 1, 2006 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. Each of the directors elected 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.

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.

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 Common Shares of the Corporation beneficially owned, directly or indirectly, or subject to control or direction, by such person as at April 27, 2007:

Name and Place of Residence	Principal Occupation	Director Since	Number and Class of Shares Beneficially Owned or Controlled
Allen T.Y. Chan Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	5,992,753 Common Shares <sup>(4)</sup>
Kai Kit Poon Hong Kong	President and Director of the Corporation and of Sino-Wood Partners, Limited	1994	2,753,105 Common Shares <sup>(5)</sup>
Edmund Mak <sup>(1)(3)</sup> British Columbia, Canada	Real estate marketing agent, Re/Max Select Properties	1994	80,000 Common Shares
Simon Murray <sup>(2)</sup> Hong Kong	Chairman, General Enterprises Management Services (International) Limited, a private equity fund management company	1999	200,000 Common Shares
James M.E. Hyde <sup>(1)(2)(3)</sup> Ontario, Canada	Executive Vice President and Chief Financial Officer, Resolve Business Outsourcing Income Fund, a progressive business process outsourcing firm	2004	Nil
Judson Martin <sup>(1)(2)(3)</sup> Ontario, Canada	Consultant	2006	Nil

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Nominating Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Included in Mr. Chan's shareholdings are (i) 2,842,753 Common 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; and (ii) 2,250,000 Common Shares held by Forest Investment Partners, Ltd. on behalf of ADS Holdings (BVI) Limited.
- (5) 2,353,105 Common Shares are owned by Natural Forest Limited, a corporation controlled by Mr. Poon.

## **2. Appointment of Auditor**

Management proposes to nominate BDO McCabe Lo Limited, which firm has been auditor of the Corporation since March 2005, 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 BDO McCabe Lo Limited 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 the auditor.

## **3. Amendments to Stock Option Plan**

### *Summary of Stock Option Plan*

The Corporation has adopted and maintains an incentive stock option plan (the "**Plan**") in order to provide effective incentives to directors, officers, employees and consultants of the Corporation and to enable the Corporation to attract and retain experienced and qualified individuals in those positions by permitting such individuals to directly participate in an increase in per share value created for the Corporation's shareholders. Options under the Plan are typically granted in such numbers as reflect the level of responsibility of the particular optionee and his or her contribution to the business and activities of the Corporation.

The Plan provides that the exercise price at which shares may be issued upon the exercise of options granted under the Plan cannot be less than the closing market price of the Common Shares on the TSX on the day immediately prior to the date of grant.

The maximum exercise period for options granted under the Plan is 10 years although options are typically granted with a five year term. Options are typically subject to a vesting period whereby the options shall vest and become exercisable in equal instalments over a three year period commencing on the date of grant.

The maximum number of Common Shares which may be reserved for issuance to all Insiders of the Corporation (as such term is defined in the Plan) under the Plan is limited to not more than 10% of the issued and outstanding Common Shares at the time of grant. In addition, the maximum number of Common Shares which may be issued to Insiders in any 12-month period may not exceed 10% of the issued and outstanding Common Shares at the time of grant and the maximum number of Common Shares which may be issued to any one Insider of the Corporation and such Insider's Associates (as such term is defined in the TSX Company Manual) under the Plan in any 12-month period may not exceed 5% of the issued and outstanding Common Shares at the time of grant.

Unless the Corporation otherwise agrees and subject to the pre-clearance of the TSX, options terminate (i) immediately upon an optionee's employment with the Corporation being terminated for cause; (ii) 30 days from the date of termination in the case of termination without cause; (iii) three months from the date of termination if such termination is a result of disability or early retirement; and (iv) 12 months from

the date of termination if such termination is a result of death. Each of the preceding time periods are subject to earlier expiry in the normal course based upon the original exercise period.

The Plan further permits the Corporation to make loans to, or provide guarantees for loans by financial institutions to, participants in the Plan for purposes of funding the exercise of options or pay any income tax payable upon exercise of options.

Options are not assignable except to a participant's legal representatives in the event of death.

The Plan may be amended by the Corporation subject to the pre-clearance of the TSX and subject to such approvals as may be required by the rules of the TSX or applicable securities legislation.

The maximum number of Common Shares issuable pursuant to exercises of options granted under the Plan is 10,000,000. As at April 27, 2007, 5,816,258 Common Shares, being approximately 3.6% of the currently issued and outstanding number of Common Shares, were issuable pursuant to unexercised options granted to such date under the Plan and options to purchase a further 3,173,742 Common Shares, being 1.9% of the currently issued Common Shares, remained available for grant under the Plan as at such date.

#### *Resolution Amending the Plan*

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a resolution approving certain amendments to the terms of the Plan that are being proposed in light of recent guidelines provided by the TSX. Specifically, Management is proposing to:

- (i) amend the Plan to provide that the expiration date of an option will be the later of the date fixed for expiration under the option grant and the date that is ten business days following the expiration of a "blackout period" imposed by the Corporation (as such term is contemplated in the Corporation's insider trading policy, as may be amended from time to time), should the option expire during such blackout period; and
- (ii) in accordance with TSX guidelines, replace the general amending provision currently found in the Plan with a more detailed amending provision that sets out the circumstances where TSX and shareholder approval will be required (e.g. any amendment to the number of Common Shares issuable under the Plan, certain amendments to options held by Insiders, etc.) and those circumstances where TSX and shareholder approval will not be required (e.g. amendments of a housekeeping nature).

The text of the resolution to be submitted to the Shareholders is set out in Schedule "B" attached hereto and the full text of the Plan which incorporates the proposed amendments as contemplated in such resolution is attached hereto as Schedule "C".

**The Board has unanimously approved the proposed amendments to the Plan and recommends that Shareholders vote FOR the proposed amendments. An affirmative vote of a majority of the votes cast at the Meeting is sufficient to pass the resolution authorizing such amendments to the Plan.**

**IT IS INTENDED THAT THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF SUCH RESOLUTION.**



## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person or company who is, or at any time during the financial year ended December 31, 2006 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate or affiliate of any such director, executive officer or proposed nominee, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.sinoforest.com](http://www.sinoforest.com). Financial information is provided in the Corporation's comparative financial statements and Management's Discussion and Analysis ("MD&A") for the year ended December 31, 2006.

In addition, copies of the Corporation's most recent annual information form, together with any document incorporated therein by reference, the annual report, the annual financial statements and MD&A and this management information circular may be obtained upon request to the Secretary of the Corporation at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3 or by telephone at 905.281.8889. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder 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 auditor of the Corporation, to the Shareholders and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: April 27, 2007.

*"Allen T.Y. Chan"*

Allen T. Y. Chan  
Chairman and Chief Executive Officer

## **SCHEDULE “A”**

### **SINO-FOREST CORPORATION**

**(the “Corporation”)**

#### **DIRECTORS’ MANDATE**

##### *Directors’ Responsibilities*

The Directors are responsible for the stewardship of the Corporation. To discharge this obligation, the Directors, directly and through the applicable committees of the Board of Directors, should assume responsibility in the following areas:

##### *Strategic Planning Process*

- Provide input to management on emerging trends and issues.
- Adopt, review and approve, if appropriate, management’s strategic plans.
- Review and approve the Corporation’s financial objectives, plans and actions, including significant capital allocations and expenditures.

##### *Monitoring Tactical Progress*

- Monitor corporate performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

##### *Risk Assessment*

- Identify the principal risks of the Corporation’s businesses and ensure that appropriate systems are in place to manage these risks.

##### *Senior Level Staffing*

- Select, monitor and evaluate the Chief Executive Officer and other senior executives, and ensure the adoption of a management succession plan.
- Approve a position description for the Chief Executive Officer including limits to management’s responsibilities and corporate objectives which the Chief Executive Officer is responsible for meeting, all upon recommendation from the Corporate Governance Committee and the Compensation and Nominating Committee.
- Satisfy itself as to the integrity of the Chief Executive Officer and other executive officers.
- Satisfy itself that the Chief Executive Officer and other executive officers create, maintain and foster a culture of integrity throughout the Corporation.

##### *Integrity*

- Ensure the integrity of the Corporation’s internal control and management information systems.
- Ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles, and the Corporation’s own governing documents.

##### *Material Transactions*

- Review and approve material transactions not in the ordinary course of business.

*Monitoring Directors' Effectiveness*

- Assess its own effectiveness in fulfilling the above and Directors' responsibilities, including monitoring the effectiveness of individual Directors.

*Disclosure Policy and Code of Business Conduct*

- Adopt, monitor and periodically review the effectiveness of a corporate disclosure policy and a code of business conduct.
- Make determinations with respect to waiving compliance with the code of business conduct by Directors and executive officers.
- The Board may delegate responsibility for making determinations with respect to waiving compliance with the code of business conduct to a committee of the Board.

*Feedback from Shareholders*

- Develop measures for the receipt, by directors, of feedback from security holders.

*Expectations of Directors*

- Directors are expected to attend all meetings.
- The specific dates of Board meetings to approve interim and annual financial results shall be scheduled at the commencement of each fiscal year.
- Additional meetings of the Board shall be called on an as-required basis.
- Directors are expected to review materials to be presented at Board meetings prior to such meetings. Such materials are to be circulated with sufficient advanced notice to allow Board members adequate review time. However, for unscheduled meetings, shorter notice may be necessary.

*Corporate Governance*

- Develop the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the Corporation.
- The Board may delegate this responsibility to a committee of the directors, which committee shall have a majority of "Independent" directors (as such term is defined in National Policy 58-201 – Corporate Governance Guidelines) and the remaining members of which, if any, shall be "non-management" directors.

*Other*

- Perform such other functions as prescribed by law or assigned to the Directors in the Corporation's constituting documents, policies and guidelines.

## SCHEDULE "B"

### RESOLUTION CONCERNING AMENDMENTS TO STOCK OPTION PLAN

#### RESOLVED THAT:

1. The stock option plan of the Corporation dated March 21, 1994, as amended, is hereby amended:
  - (a) by adding the following subsection 3.5:

“3.5 Except in the case of a Participant’s Option that terminates pursuant to subsection 4.2(d) below, in the event that the term of any Option expires within or immediately following a “blackout period” (as such term is contemplated in the Company’s insider trading policy, as may be amended from time to time) imposed by the Company, the Option shall expire on the date (the “**Blackout Expiration Date**”) that is ten Business Days following the end of such blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board of Directors of the Company.”
  - (b) by deleting subsection 11.2 in its entirety and replacing it with the following:

“(a) The approval of the Board of Directors of the Company and the requisite approval from the TSX and the Shareholders shall be required for any of the following amendments to be made to the Plan:

    - (i) any amendment to the number of Shares issuable under the Plan, including an increase in the fixed maximum number of Shares or a change from a fixed maximum number of Shares to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by Shareholders will not require additional Shareholder approval;
    - (ii) a reduction in the exercise price or purchase price of an Option (other than for standard anti-dilution purposes) held by or benefiting an Insider;
    - (iii) an increase in the maximum number of Shares that may be issued to Insiders within any one year period or that are issuable to Insiders at any time;
    - (iv) an extension of the term of an Option held by or benefiting an Insider;
    - (v) any change to the definition of “Eligible Person” which would have the potential of broadening or increasing Insider participation;
    - (vi) the addition of any form of financial assistance;
    - (vii) any amendment to a financial assistance provision which is more favourable to Participants;

- (viii) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve;
  - (ix) the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Company; and
  - (x) any other amendments that may lead to significant or unreasonable dilution in the Company's outstanding securities or may provide additional benefits to Eligible Persons, especially Insiders, at the expense of the Company and its existing Shareholders.
- (b) The Board of Directors of the Company may, without Shareholder approval but subject to receipt of requisite approval as required by the TSX, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subsection 11.2 (a) above including, without limitation:
- (i) amendments of a housekeeping nature;
  - (ii) a change to the vesting provisions of an Option or the Plan;
  - (iii) a change to the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date, except as contemplated in Section 3.5 above; and
  - (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.”
2. Any officer or director of the Corporation is hereby authorized and empowered on behalf of the Corporation to do all things and sign all papers necessary or desirable to effect the foregoing.

## SCHEDULE "C"

### STOCK OPTION PLAN

#### 1. **PURPOSE:**

1.1 This Stock Option plan has been established by the Company in order to attract, encourage and increase the incentive for continued service of directors, officers and key employees and other service providers of the Company by facilitating their purchase of an equity interest in the Company.

#### 2. **DEFINITIONS:**

2.1 In this Plan, the following terms have the following meanings:

(a) "Associate" where used to indicate a relationship with any person or company means:

- (i) any company of which such person or company beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all voting securities of the company for the time being outstanding;
- (ii) any partner of that person or company;
- (iii) any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company serves as trustee or in a similar capacity;
- (iv) any relative of that person who resides in the same home as that person;
- (v) any person who resides in the same home as that person and to whom that person is married, or any person of the opposite sex or the same sex who resides in the same home as that person and with whom that person is living in a conjugal relationship outside marriage; or
- (vi) any relative of a person mentioned in clause (v) who has the same home as that person.

(b) "Business Day" means any day other than a Saturday, a Sunday or a statutory holiday observed in Ontario, and "Business Days" shall have a corresponding meaning;

(c) "Company" means SINO-FOREST CORPORATION, its predecessors, successors and assigns, and any reference in the Plan to action by the Company means action by or under the authority of the Board of Directors of the Company or any person or committee that has been designated for the purpose by the Board of Directors of the Company;

(d) "Cumulative Exercisable Amount" in respect of a Participant's Option, means, at any time, the maximum number of Shares which a Participant may purchase at such time, calculated as follows:

- (i) subject to (ii), the maximum number of Shares which the Participant may purchase under the Option during each of the Option Years commencing on the Earliest Exercise Date of the Option shall be equal to the Designated Percentage of the Designated Amount of the Option, and

- (ii) if the number of Shares purchased under the Option during any of the Option Years is less than the maximum number which could have been purchased under the Option during that Option Year, the difference shall be carried forward and added to the maximum number of Shares which may be purchased under the Option in the immediately following Option Year, and so on from time to time.
- (e) “Date of Grant” of an Option means the date the Option is granted to a Participant under the Plan by the Company;
- (f) “Designated Amount” of a Participant’s Option means the maximum number of Shares which the Participant may purchase during the term of the Option, as designated by the Company at the time the Option is granted;
- (g) “Designated Percentage” in respect of an Option means the percentage of the Designated Amount representing the maximum number of Shares which a Participant may purchase under the Option during each Option Year, as designated by the Company from time to time, generally for the purposes of the Plan or at the time the Option is granted;
- (h) “Earliest Exercise Date” in respect of an Option means the earliest date on which the Option may be exercised, as designated by the Company at the time the Option is granted;
- (i) “Eligible Person” means a Service Provider who in each case has been designated by the Company as being eligible to participate in the Plan;
- (j) “Expiry Date” means the latest date on which an Option may be exercised, as designated by the Company at the time the Option is granted, provided that an Option granted under this Plan must expire not later than ten years after the date of grant;
- (k) “Insider” of a company means:
  - (i) an insider is defined in the *Ontario Securities Act*, other than a person who falls within that definition solely by virtue of being a director or officer of a subsidiary of the company, and
  - (ii) an Associate of any person who is an Insider by virtue of (1);
- (l) “Option” means a right granted under the Plan to a Participant to purchase Shares in accordance with the Plan;
- (m) “Option Price” in respect of a Participant’s Option means the price designated by the Company as determined in accordance with Section 3.4 of the Plan at which the Participant may purchase Shares under the Option;
- (n) “Option Year” in respect of an Option means the 12 month period commencing on the Earliest Exercise Date of the Option or on any anniversary of such date, and ending prior to or on the Expiry Date;
- (o) “Outstanding Issue” means the number of Shares that are outstanding immediately prior to the Date of Grant in question, excluding Shares issued pursuant to share compensation arrangements over the preceding one-year period.
- (p) “Participant” means an Eligible Person who has agreed to participate in the Plan on such terms as the Company may specify;
- (q) “Plan” means this Stock Option Plan, as amended and restated from time to time;

- (r) “reserved for issuance” refers to shares which may be issued in the future upon the exercise of stock options which have been granted (shares are considered “reserved for issuance” commencing when the options are granted, regardless of when they can be exercised);
- (s) “Service Provider” means;
  - (i) an employee or Insider of the Company or any of its Subsidiaries, and
  - (ii) any other person or company engaged to provide ongoing management or consulting services for the Company or for any entity controlled by the Company;
- (t) “Shareholder” means a holder of Shares;
- (u) “Shares” means the common shares in the capital of the Company, and includes any shares of the Company into which such shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed, whether pursuant to a capital reorganization, amalgamation, merger, arrangement or other form of reorganization or otherwise; and
- (v) “Subsidiary” means any business entity in which the Company, directly or indirectly, owns or controls 50% or more of the total combined voting power of all classes of shares or other equity interest.

2.2 In this Plan, unless the context requires otherwise, references to the male gender include the female gender, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.

2.3 In this Plan, when calculating the period of time within which or following which any act is to be done or step taken pursuant to this Plan, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next following Business Day.

### **3. GRANTING OF OPTIONS AND DETERMINATION OF THE OPTION PRICE**

3.1 From time to time, the Company may designate one or more Eligible Persons for the purposes of participating in the Plan. If an Eligible Person agrees to participate in the Plan on such terms as the Company may specify, such person shall become a Participant in the Plan.

3.2 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect any employee’s employment with the Company or any of its Subsidiaries.

3.3 From time to time the Company may grant an Option to a Participant to acquire Shares in accordance with the Plan. In granting such Option, the Company shall designate:

- (a) the maximum number (“Designated Amount”) of Shares which the Participant may purchase under the Option;
- (b) the earliest date on which the Option may be exercised (“Earliest Exercise Date”), which may be the Date of Grant;
- (c) the latest date on which the Option may be exercised, provided that any Option granted under this Plan must expire not later than ten years after the date of grant (“Expiry Date”);



- (d) a percentage of the Designated Amount representing the maximum number of Shares which the Participant may purchase under the Option during each Option Year (“Designated Percentage”); and
- (e) the price (“Option Price”) at which the Participant may purchase Shares under the Option, which price shall be determined by the Company in accordance with Section 3.4.

3.4 The Option Price per Share in respect of an Option shall be equal to the closing market price of the Shares on the Toronto Stock Exchange (the “TSX”) on the day prior to the Date of Grant of the Option, or if there is no trading of the Shares on the TSX on the day prior to the Date of Grant then a weighted average trading price for the 5 days prior to the Date of Grant shall be used.

3.5 Except in the case of a Participant’s Option that terminates pursuant to subsection 4.2(d) below, in the event that the term of any Option expires within or immediately following a “blackout period” (as such term is contemplated in the Company’s insider trading policy, as may be amended from time to time) imposed by the Company, the Option shall expire on the date (the “Blackout Expiration Date”) that is ten Business Days following the end of such blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board of Directors of the Company.

#### 4. **EXERCISE OF PARTICIPANT’S OPTIONS**

4.1 Subject to the provisions of the Plan, an Option may be exercised by the Participant only on or after the Earliest Exercise Date and thereafter from time to time at the Participant’s discretion to purchase in the aggregate a number of Shares up to the Cumulative Exercisable Amount at the time of exercise.

4.2 Unless the Company otherwise agrees in writing and subject to pre-clearance by the TSX, a Participant’s Option shall terminate and may not be exercised after the earliest of:

- (a) three months after the Participant’s termination of employment with the Company or its Subsidiaries if the Participant was an employee or after the Participant ceases to be a director or officer of the Company or its Subsidiaries if the Participant is a director or officer by reason of the Participant’s disability (as determined by the Company in its sole discretion) or the Participant’s retirement or early retirement, provided that the Participant has not died prior to the expiry of such three month period;
- (b) twelve months after the Participant’s death;
- (c) 30 days following the date of the Participant’s termination of employment with the Company or its Subsidiaries if the Participant was an employee or the date on which the Participant ceases to be a director or officer of the Company or its Subsidiaries if the Participant is a director or officer, unless such termination occurs by reason of the Participant’s death, disability, retirement or early retirement as contemplated in (a) or (b) above or the Company terminates the Participant’s employment for cause as contemplated in (d) below;
- (d) the date the Company terminates the Participant’s employment for cause; and
- (e) the Expiry Date of the Participant’s Option.

4.3 Transfer from the Company to a Subsidiary, from a Subsidiary to the Company, or from one Subsidiary to another Subsidiary shall not be considered a cessation of employment, nor shall it be considered a cessation of employment if an Eligible Person is placed on such other leave of absence which is considered by the Company as continuing intact the employment relationship.

4.4 The exercise of an Option under the Plan shall be made by notice to the Company in writing specifying and subscribing for the number of Shares in respect of which the Option is being exercised at that time and either accompanied by a certified cheque or bank draft payable to the Company in the amount of the aggregate Option Price for such number of Shares or payment in such other manner as the Company may approve. As of the day the Company receives such notice and such payment, the Participant (or the person claiming through the Participant, as the case may be) shall be entitled to be entered on the share register of the Company as the holder of the number of Shares in respect of which the Option was exercised and is entitled to receive a certificate representing the said number of Shares.

4.5 Upon the death of a Participant while such Participant qualifies as an Eligible Person and before the full exercise of all Options granted to such Participant hereunder, such Participant's estate shall be entitled, to exercise all such Options for a period of twelve months after the Participant's death, provided that such Options are not otherwise terminated in accordance with Section 4.2 hereof.

## 5. MAXIMUM NUMBER OF SHARES TO BE ISSUED UNDER THE PLAN

5.1 The maximum number of Shares which may be issued under Options issued and outstanding pursuant to this Plan to all Participants is 10,000,000.

5.2 If any Option has terminated or expired without being fully exercised, any unissued Shares which have been reserved to be issued upon the exercise of the Option shall become available to be issued upon the exercise of any Option subsequently granted under the Plan.

- 5.3 (a) The maximum number of Shares which may be reserved for issuance to Insiders under the Plan, together with any other Shares which may be issuable to Insiders under any other share compensation arrangements, shall be 10% of the Outstanding Issue.
- (b) The maximum number of Shares which may be issued to Insiders under the Plan within a one-year period shall be 10% of the Outstanding Issue.
- (c) The maximum number of Shares which may be issued to any one Insider and such Insider's Associates under the Plan within a one-year period shall be 5% of the Outstanding Issue.
- (d) Any entitlement to Shares granted pursuant to the Plan prior to the Eligible Person becoming an Insider shall be excluded for the purposes of the limits set out in subparagraphs (a), (b) and (c) of this Section 5.3.

## 6. ANTI-DILUTION PROVISIONS

6.1 If the number of outstanding Shares of the Company shall be increased or decreased as a result of a stock split, consolidation, recapitalization or other transaction, other than as a result of the issuance of Shares for additional consideration or by way of stock dividend, the Company may make appropriate adjustments to the Designated Amount of any Option which has previously been granted under the Plan, the maximum number of Shares which the Participant may thereafter purchase under such Option, the Option Price in respect of such Option and the maximum number of Shares which may be issued under the Plan in accordance with Section 5.1.

6.2 No fractional shares shall be issued upon the exercise of an Option nor shall any share certificates in lieu thereof be issuable at any time. Accordingly, if as a result of any adjustment under Section 6.1 a Participant would otherwise have become entitled to a fractional share upon the exercise of an Option, the Participant shall have the right to purchase only the next lower whole number of Shares and no payment or other adjustment will be made with respect to the fractional interests so disregarded.

7. **LOANS TO EMPLOYEES**

7.1 Subject to applicable law, the Company may in its sole discretion arrange for the Company or any Subsidiary 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 and to assist the Participants to pay any income tax eligible upon exercise of the Options. Any loans granted by the Company or any Subsidiary to assist Participants to purchase Shares upon the exercise of an Option shall be full recourse to the Participant 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 Company.

8. **ACCOUNTS AND STATEMENTS**

8.1 The Company shall maintain records of the details of each Option granted to each Participant under the Plan, including the Date of Grant, Designated Amount and the Option Price of each Option, the number of Shares in respect of which the Option has been exercised and the maximum number of Shares which the Participant may still purchase under the Option. Upon request therefor from a Participant and at such other times as the Company shall determine, the Company shall furnish the Participant with a statement setting forth the details of such Participant's Options. Such statement shall be deemed to have been accepted by the Participant as correct unless written notice to the contrary is given to the Company within 30 days after such statement is given to the Participant.

9. **REORGANIZATION**

9.1 In this Article 9, "reorganization" means any (i) capital reorganization, (ii) merger, (iii) amalgamation, (iv) offer for shares of the Company which if successful would entitle the offeror to acquire all of the shares of the Company or all of one or more particular class(es) of shares of the Company to which the offer relates, or (v) arrangement or other scheme of reorganization.

9.2 In the event of a reorganization or proposed reorganization, the Company, at its option, may do either of the following:

- (a) the Company may irrevocably commute for or into any other security or other property or cash any Option that is still capable of being exercised, upon giving to the Participant to whom such Option has been granted at least 30 days written notice of its intention to commute the Option, and during such period of notice, the Option, to the extent that it has not been exercised, may be exercised by the Participant up to the Designated Amount of Shares which may be purchased under the Option, without regard to the limitations contained in subsection 4.1, and on the expiry of such period of notice, the unexercised portion of the Option shall lapse and be cancelled, or
- (b) the Company or any corporation which is or would be the successor to the Company or which may issue securities in exchange for Shares upon the reorganization becoming effective may offer any Participant the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares under option; in such event, the Participant shall, if the Participant accepts such offer, be deemed to have released such Participant's Option over Shares and such Option shall be deemed to have lapsed.

9.3 Subsections (a) and (b) of Section 9.2 are intended to be permissive and may be utilized independently or successively in combination or otherwise, and nothing therein contained shall be construed as limiting or affecting the ability of the Company to deal with Options in any other manner.

10. **NOTICES**

10.1 Any payment, notice, statement, certificate or other instrument required or permitted to be given to a Participant or any person claiming or deriving any rights through a Participant shall be given by:

- (a) delivering it personally to the Participant or to the person claiming or deriving rights through the Participant, as the case may be;
- (b) delivering it prepaid courier service;
- (c) sending it registered mail or delivering it to the address which is maintained for the Participant in the Company's personnel records; or
- (d) facsimile or other similar means of electronic communication and confirmed by mailing the original document so sent by prepaid mail on the same or following day.

10.2 Any payment, notice, statement, certificate or instrument required or permitted to be given to the Company shall be given by:

- (a) delivering it personally;
- (b) delivering it prepaid courier service;
- (c) sending it registered mail; or
- (d) facsimile or other similar means of electronic communication and confirmed by mailing the original document so sent by prepaid mail on the same or following day,

to the Company at its principal address to the attention of the Secretary.

10.3 Any payment, notice, statement, certificate or other instrument referred to in Section 10.1 or 10.2, if delivered, shall be deemed to have been given or delivered on the date on which it was delivered, provided that if such day is not a Business Day such notice or other communication shall be deemed to have been given or delivered on the next following Business Day. Any notice or other communication sent by registered mail shall be deemed to have been given or delivered on the third Business Day following the date on which it was mailed. Any notice or other communication transmitted by facsimile or other similar form of electronic communication shall be deemed given or delivered on the day of its transmission provided that such day is a Business Day and such transmission is completed before 5:00 p.m. on such day, failing which such notice or other communication shall be deemed given or delivered on the first Business Day after its transmission. Regardless of the foregoing, if there is a mail stoppage or labour dispute or threatened labour dispute which has affected or could affect normal mail delivery by Canada Post, then no notice or other communication may be delivered by registered mail. If there has been a mail stoppage and if a party sends a notice or other communication by facsimile or other similar means of electronic communication, such party shall be relieved from the obligation to mail the original document in accordance with this section.

11. **GENERAL**

11.1 The Company may adopt and apply rules that in its opinion will ensure that the Company and its Subsidiaries will be able to comply with applicable provisions of any federal, provincial, state, or local law relating to the withholding of tax. The Company shall have the right in its discretion to satisfy withholding tax liability by retaining or purchasing Shares issued in respect of the exercise of Options.

11.2 (a) The approval of the Board of Directors of the Company and the requisite approval from the TSX and the Shareholders shall be required for any of the following amendments to be made to the Plan:

- (i) any amendment to the number of Shares issuable under the Plan, including an increase in the fixed maximum number of Shares or a change from a fixed maximum number of Shares to a fixed maximum percentage. A change to a fixed maximum percentage which was previously approved by Shareholders will not require additional Shareholder approval;
  - (ii) a reduction in the exercise price or purchase price of an Option (other than for standard anti-dilution purposes) held by or benefiting an Insider;
  - (iii) an increase in the maximum number of Shares that may be issued to Insiders within any one year period or that are issuable to Insiders at any time;
  - (iv) an extension of the term of an Option held by or benefiting an Insider;
  - (v) any change to the definition of “Eligible Person” which would have the potential of broadening or increasing Insider participation;
  - (vi) the addition of any form of financial assistance;
  - (vii) any amendment to a financial assistance provision which is more favourable to Participants;
  - (viii) the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve;
  - (ix) the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Company; and
  - (x) any other amendments that may lead to significant or unreasonable dilution in the Company’s outstanding securities or may provide additional benefits to Eligible Persons, especially Insiders, at the expense of the Company and its existing Shareholders.
- (b) The Board of Directors of the Company may, without Shareholder approval but subject to receipt of requisite approval as required by the TSX, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subsection 11.2(a) above including, without limitation:
- (i) amendments of a housekeeping nature;
  - (ii) a change to the vesting provisions of an Option or the Plan;
  - (iii) a change to the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date, except as contemplated in Section 3.5 above; and
  - (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

11.3 The determination by the Company of any question which may arise as to the interpretation or implementation of the Plan or any of the Options granted hereunder shall be final and binding on all Eligible Persons, Participants and other persons claiming or deriving rights through any of them.

11.4 The Plan shall enure to the benefit of and be binding upon the Company, its successors and assigns. The interest of any Eligible Person or Participant under the Plan or in any Option shall not be transferable or alienable either by pledge, assignment or in any other manner whatsoever and, during the Participant's lifetime, shall be vested only in the Participant, but shall thereafter enure to the benefit of and be binding upon the legal personal representatives of the Participant.

11.5 The Company's obligation to issue Shares in accordance with the terms of this Plan and any Options granted hereunder is subject to compliance with all applicable laws and regulations and the applicable rules of any stock exchange upon which any of the shares of the Company may be listed. As a condition of participating in the Plan, each Eligible Person agrees to comply with all such laws, rules and regulations and agrees to furnish to the Company all information and undertakings as may be required to permit compliance with such laws, rules and regulations.

11.6 An Eligible Person or Participant shall not have any rights as a shareholder in respect of Shares subject to an Option until such Shares have been paid for in full and issued in accordance with the Plan.

11.7 No Eligible Person, Participant nor other person shall have any claim or right to be granted Options under the Plan. Neither the Plan nor any action taken thereunder shall interfere with the right of the employer of a Participant to terminate an Eligible Person's or Participant's employment at any time. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment shall be considered as extending the period of employment for the purposes of the Plan.

11.8 This Plan and any Options granted hereunder shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11.9 This Plan is hereby instituted as of the 21st day of March, 1994.