



*Sino-Forest Corporation*

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

Meeting to be held at 4:00 p.m.  
Monday, May 31, 2010

Territories Room, Main Mezzanine  
Fairmont Royal York Hotel  
100 Front Street West  
Toronto, ON M5J 1E3



# SINO-FOREST CORPORATION

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual meeting (the “**Meeting**”) of the holders of the common shares (collectively, the “**Shareholders**” or individually, a “**Shareholder**”) of Sino-Forest Corporation (the “**Corporation**”) will be held in the Territories Room, Main Mezzanine, Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario, M5J 1E3 on Monday, May 31, 2010 at the hour of 4:00 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2009, together with the report of the auditor thereon;
2. to elect the directors of the Corporation;
3. to appoint Ernst & Young LLP as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

Accompanying this Notice of Annual Meeting of Shareholders is a management information circular dated May 4, 2010 and a copy of the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2009, together with the report of the auditor thereon.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit his, her or its duly executed form of proxy with the Corporation at 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, or with its transfer agent and registrar, Valiant Trust Company, by mail at 2950-130 King Street West, Toronto, Ontario M5X 1A9 or by facsimile at 416.360.1646, on or before the close of business on Friday, May 28, 2010 or deliver it to the chairman of the Meeting on the day of the Meeting or any adjournment thereof prior to the time of voting.

Shareholders who are unable to be present personally at the Meeting are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. If you plan to be present personally at the Meeting, you are requested to bring the enclosed form of proxy for identification. The record date for the determination of those security holders entitled to receive the Notice of Annual Meeting of Shareholders, and to vote at the Meeting, is the close of business on Friday, April 30, 2010.

DATED at Hong Kong this 4<sup>th</sup> day of May, 2010.

BY ORDER OF THE BOARD

*“Allen T.Y. Chan”*

Allen T. Y. Chan  
Chairman and Chief Executive Officer

# MANAGEMENT INFORMATION CIRCULAR

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**SINO-FOREST CORPORATION**  
**MANAGEMENT INFORMATION CIRCULAR**  
**SOLICITATION OF PROXIES**

This management information circular is furnished in connection with the solicitation of proxies by the management of Sino-Forest Corporation (the “**Corporation**”) for use at the annual meeting (the “**Meeting**”) of 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 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 Shareholder 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, Valiant Trust Company, by mail at 2950-130 King Street West, Toronto, Ontario M5X 1A9 or by facsimile at 416.360.1646, not later than the close of business on Friday, May 28, 2010 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 28, 2010, 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 executive 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 other than the election of directors.

### 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 mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the 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 or voting instruction form from Broadridge 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.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of their broker or other intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered holder and vote their shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own shares as proxyholder for the registered holder should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their broker or other intermediary (or the agent of such broker or other intermediary) in accordance with the instructions provided by such broker, intermediary or agent well in advance of the Meeting. **Beneficial Shareholders should carefully follow the instructions of their intermediaries and their service companies.**

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.

### CURRENCY PRESENTATION

Unless otherwise indicated, all dollar amounts in this management information circular are expressed in Canadian dollars.

### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on Friday, April 30, 2010 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, 242,521,728 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 May 3, 2010, the only persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10% or more 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 <sup>(1)</sup>	Percentage of Voting Rights
Davis Selected Advisers, L.P.	30,910,590 shares	12.7%
Paulson & Co. Inc.	39,492,700 shares	16.3%

**Note:**

(1) The shareholdings are based upon information available on the public record.

### EXECUTIVE COMPENSATION

#### Compensation Discussion and Analysis

The Compensation and Nominating Committee of the Corporation is responsible for setting and monitoring executive compensation programs. To ensure that such compensation programs are appropriate, aligned to market practice and focus executives on creating shareholder value, the Compensation and Nominating Committee periodically reviews all elements of the executive compensation programs.



In 2009, the Compensation and Nominating Committee was comprised of the following directors, all of whom are considered independent:

Mr. Judson Martin (Chair)  
 Mr. Simon Murray  
 Mr. James M.E. Hyde

In addition, the independent directors of the Board of Directors review the recommendations of the Compensation and Nominating Committee and are ultimately responsible for determining executive compensation levels and program designs.

As overall context for setting and monitoring executive compensation programs, the Compensation and Nominating Committee and the Board of Directors strive to continually balance the Corporation's unique structure as a Canadian-listed company whose operations and employees are primarily in China.

To assist the Compensation and Nominating Committee and the Board of Directors in reaching executive compensation decisions, the Compensation and Nominating Committee considers the following global executive compensation strategy. Specifically, the goals of the executive compensation strategy are to:

- (a) Motivate and reward members of the executive team for creating both short and long-term shareholder value and executing the strategic plan.
- (b) Attract and retain qualified executive talent from both Asia and North America with the ability to lead a complex, global company with a Canadian listing and an operational focus in Asia.
- (c) Align the interests of both individual executives and the executive team as a whole with shareholders.

#### *Elements of Executive Compensation*

In 2009, the Corporation's executive compensation package consisted of three major elements: (i) base salary; (ii) the short-term incentive plan ("STIP"); and (iii) the long-term incentive plan ("LTIP"). When allocating compensation among each of the three major elements, the Compensation and Nominating Committee considered the appropriateness of each element of compensation individually and also considered the overall value of all executive compensation programs relative to the market.

In reaching compensation decisions, the Compensation and Nominating Committee also considered the individual performance of each executive officer and the results of the executive compensation review. The major elements of compensation are summarized below:

#### **(i) Base Salary**

On an annual basis, the Compensation and Nominating Committee reviews and recommends to the Board of Directors salary adjustments, if appropriate, for the Chief Executive Officer and the Chief Financial Officer. Based on the recommendation of the Chief Executive Officer, the Compensation and Nominating Committee also reviews and approves base salary adjustments, if appropriate, for other executive officers. In 2009, base salaries were not directly linked to any other component of compensation (i.e., a change in base salary did not directly impact STIP or LTIP).

**(ii) Short-term Incentive Plan (STIP)**

The Corporation has a strong pay-for-performance philosophy with respect to the compensation of the Named Executive Officers. In fiscal 2009, approximately 93% of the Chairman and Chief Executive Officer's cash compensation (i.e. base salary plus STIP payout) was performance-based, while approximately 86% of the Senior Vice President and Chief Financial Officer's cash compensation was performance-based.

In 2009, the Corporation's STIP consisted of two factors that determined the amount of annual cash bonuses to be paid to the executive officers. Specifically:

1. the Corporation's financial performance; and
2. the evaluation of management's corporate objectives to determine if they were achieved.

The STIP was funded based on the achievement of profit targets. The Compensation and Nominating Committee believes that profit targets are the most appropriate funding mechanism for the STIP as, regardless of the achievement of other strategic objectives, the Corporation's ability to pay bonuses is primarily driven by generating earnings.

STIP Pool Allocations

Participants in the STIP included all of the Named Executive Officers (as such term is defined below) and other key executives. For the financial year ended December 31, 2009, the bonus pool allocations were set as follows:

<b>Position</b>	<b>% of STIP Pool</b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	50%
Kai Kit Poon, President	5%
David J. Horsley, Senior Vice President and Chief Financial Officer	15%
Other Senior Vice Presidents, Vice Presidents and such other officers as may be determined by the Chief Executive Officer and Chief Financial Officer (as a group)	30%
<b>TOTAL</b>	<b>100%</b>

STIP Pool Funding Limits

Regardless of the pool allocations above, payouts under the STIP are limited by the following:

1. **Funding Threshold:** Achievement by the Corporation of a pre-determined minimum pre-tax profit must be achieved before any STIP payout will occur.
2. **Funding Formula:** The aggregate STIP amounts in respect of any financial year may not exceed 5% of the Corporation's pre-tax profits (before profit sharing under the STIP and exchange gains and losses on the Corporation's long-term debt), if any, for such year.
3. **Overall Payout Cap:** The maximum aggregate payout to the plan participants may not exceed US\$10 million, subject to increase at the discretion of the Compensation and Nominating Committee.

The pre-determined participation in the profits of the Corporation was based on the following targets for the financial year ended December 31, 2009. The percentages below were set based on a combination of historical practice and to ensure that overall total compensation levels were competitive relative to the market. Specifically:

Pre-tax profit	>US\$240-250 million	>US\$251-275 million	>US\$275 million
% share of profit	3%	4%	5%

### Corporate Objectives

Based on the level of funding determined using the formula above, payouts were also subject to the achievement of the following objectives, each of which is weighted equally:

I. Financial Targets	Results
Bring to market a pre-determined volume of plantation fibre	Achieved
Achieve a pre-determined gross margin per cubic metre of fibre	Achieved
Achieve break-even EBITDA from manufacturing operations	Not achieved
Control SG&A expenses below a pre-determined amount	Achieved

II. Strategic Initiatives	Results
Expand the Corporation's plantation footprint by entering into at least one master agreement in a new region of the PRC	Achieved
Expand international fibre-sourcing capabilities	Achieved
Continue to effectively manage business growth by improving the Corporation's accounting and reporting processes to the Board of Directors and Audit Committee	Achieved
Continue to effectively manage business growth by improving the Corporation's accounting and reporting processes relating to the review and approval of the Corporation's annual budget	Achieved
Continue to manage the National Instrument 52-109 certification project by both: (i) establishing systems and processes for tax accounting and reporting; and (ii) implementing segregation of duty controls	Not fully achieved
Complete the design and planning phase of the IFRS transition study (including completion of white papers for key IFRS standards)	Achieved

### 2009 STIP Payouts

Based on the criteria outlined above, the Compensation and Nominating Committee reviewed the formula and corporate objectives as follows:

1. **Funding:** The Corporation achieved pre-tax profits of approximately US\$316 million in fiscal 2009. Accordingly, the corresponding profit participation rate was 5%, or approximately US\$15.8 million.
2. **Corporate Objectives:** Eight out of the ten (80%) objectives above were achieved in 2009, each of which was weighted equally (i.e. each objective represents 1/10 or 10% of the overall corporate objective modifier below).

3. **Payouts:** As a result of both the funding formula and the achievement of corporate objectives, the calculated STIP pool was approximately US\$12.6 million (i.e., US\$15.8 million multiplied by the corporate objective modifier of 80%).

As noted above, the maximum aggregate payout to the plan participants may not exceed US\$10 million, subject to increase at the discretion of the Compensation and Nominating Committee. The Compensation and Nominating Committee, having considered the Corporation's overall exemplary performance, the significant capital raising initiatives and other significant corporate achievements in fiscal 2009 that did not form part of the 2009 STIP objectives, determined that the payout from the formula should exceed the US\$10 million overall payout cap. Accordingly, the Compensation and Nominating Committee approved a total STIP pool of US\$12.6 million for the 2009 fiscal year, which is the amount calculated under the plan prior to application of the overall payout cap.

The following table sets forth the STIP payouts for each of the Named Executive Officers in fiscal 2009:

<b>Position</b>	<b>% of STIP Pool</b>	<b>Maximum Target STIP Payout (\$)<sup>(1)</sup></b>	<b>Actual STIP Payout (\$)</b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	50%	US\$7,900,000	US\$6,324,000
Kai Kit Poon, President	5%	US\$790,000	US\$632,000
David J. Horsley, Senior Vice President and Chief Financial Officer	15%	US\$2,370,000	US\$1,897,000
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2.69%	At discretion of management	US\$339,879
Thomas M. Maradin, Vice President, Risk Management	2.29%	At discretion of management	US\$290,057

**Note:**

- (1) Based on pre-tax profits of US\$316 million in fiscal 2009 and assuming the achievement of 100% of the corporate objectives.

**(iii) Long-term Incentive Plan (LTIP)**

Consistent with typical market practice in both Asia and North America, stock options continued to be the primary form of LTIP in 2009. Given the Corporation's emphasis on growth, the Compensation and Nominating Committee believes that stock options are still the most appropriate LTIP vehicle. To ensure that stock options continue to be appropriate, however, the Compensation and Nominating Committee periodically reviews the LTIP grants and program structure. Stock options are granted pursuant to the incentive stock plan of the Corporation, as summarized below under "Securities Authorized for Issuance under Equity Compensation Plans – Incentive Stock Option Plan."

Commencing in fiscal 2009, the LTIP was amended to position the award values between the median and 75th percentile of the appropriate comparator group (see "Benchmarking" below). The Corporation's previous discretionary approach to granting stock options was replaced with an annual stock option award program based on standard criteria (i.e. % of base annual salary) for the Named Executive Officers and all senior vice presidents and vice presidents of the Corporation. The Compensation and Nominating Committee believes that this annual grant program (coupled with the Corporation's option vesting

schedule) will assist with creating shareholder value and key talent retention. The annual grant program is not subject to specific performance goals or similar conditions.

Effective March 31, 2009, the following annual stock option grant program was adopted:

<b>Position</b>	<b>% of Base Annual Salary <sup>(1)</sup></b>
Chief Executive Officer	150%
Chief Financial Officer	100%
Senior Vice President	75%
Vice President	50%

**Note:**

(1) The value and number of options granted will be determined using the Black-Scholes stock option pricing model.

The Compensation and Nominating Committee will continue however to have the ability to grant stock options on a discretionary basis. In fiscal 2009, the Compensation and Nominating Committee did not grant any stock options on a discretionary basis.

*Benchmarking*

For fiscal 2009, the total compensation of each Named Executive Officer was benchmarked to an appropriate comparator group for the role. For benchmarking purposes, each executive was categorized into the following major markets. Specifically:

1. **Top Executives/Board of Directors:** Defined as the Corporation's most senior executives and directors with a global scope. These executives and directors may be benchmarked to other organizations globally.

The Chairman and Chief Executive Officer (Mr. Chan), the Senior Vice President and Chief Financial Officer (Mr. Horsley), and the Vice President, Risk Management (Mr. Maradin) were benchmarked against this comparator group.

To develop this group, paper and forest product companies in North America with revenues and/or market capitalization that are 50% to 200% Sino-Forest's revenue and market capitalization were considered. This group consisted of the following companies (sorted in descending revenue):

<b>Comparator Group – North American Paper and Forest Companies</b>	
Meadwestvaco Corporation	International Forest Products
Domtar Corporation	Mercer International Inc.
Norbord Inc.	Buckeye Technologies Inc.
Wausau Paper	Schweitzer-Mauduit International, Inc.
Glatfelter	Neenah Paper Inc.
Western Forest Products Inc.	Timberwest Forest Corp.
Ainsworth Lumber Co. Ltd.	

In addition to these North American companies, other international forestry product companies (such as Samling Global, China Grand Forestry and China Timber Resources Group) and Canadian-listed China-based operators (such as Cathay Forest Products, Migao, Hanfeng Evergreen, GobiMin and Hanwei Energy Services) were considered. These organizations were not included due to size differences relative to Sino-Forest and/or limited compensation disclosure.

2. **Hong Kong Executives:** Defined as executives based in Hong Kong with a regional focus. These executives may be benchmarked to other foreign-owned organizations with similar scope and responsibilities, with a focus on Hong Kong (excluding Financial Services). The comparator group does not consist of a specific list of identifiable companies; rather, the Hong Kong-based executives are benchmarked based on data taken from a survey data base.

The President (Mr. Poon) was benchmarked against this data.

3. **PRC Executives:** Defined as executives based in mainland China with a regional/operational focus. These executives may be benchmarked to other foreign-owned organizations with similar scope and responsibilities, with a focus on mainland China (excluding Financial Services). The comparator group does not consist of a specific list of identifiable companies; rather, the PRC-based executives are benchmarked based on data taken from a survey data base.

The Senior Vice President, Development and Operations (Mr. Ip) was benchmarked against this data.

#### *Target Compensation Positioning*

Beginning in fiscal 2009, the Corporation's executive compensation programs were modified to further enhance the alignment between best practices, the Corporation's executive compensation strategy (as described above) and the results of the benchmarking analysis. Specifically:

1. **Base Salary:** Targeted to be at the median (50th percentile or P50) of the appropriate comparator group. For roles with exceptionally high travel requirements, position compensation relative to P75. In fiscal 2009, the base salary of each of the Named Executive Officers fell within the P50 to P75 range of the applicable comparator group.
2. **Target Total Cash Compensation:** Targeted Total Cash Compensation (base + target annual incentives) at P50 with sufficient leverage to earn up to P75 or higher for demonstrating exceptional performance. In fiscal 2009, the total cash compensation paid to each of the Named Executive Officers was above P75 in light of the Corporation's overall exemplary performance as described above under the heading "Short-term Incentive Plan (STIP) – 2009 STIP Payouts".
3. **Target Total Compensation:** Targeted Total Compensation (base + target annual incentives + target longer-term compensation) at P50 with the opportunity for high-performing, key employees to earn up to P75 or higher when both the employee and the Corporation demonstrate exceptional performance. In fiscal 2009, the total compensation paid to each of the Named Executive Officers was above P75 in light of the Corporation's overall exemplary performance as described above under the heading "Short-term Incentive Plan (STIP) – 2009 STIP Payouts".

### *Minimum Share Ownership*

The Corporation has adopted a policy whereby: (i) the Chief Executive Officer will be required to own such number of Common Shares as is equal in value to four times his annual base salary; (ii) the Chief Financial Officer is required to own such number of Common Shares as is equal in value to two times his annual base salary; and (iii) any other officer of the Corporation holding the position of Senior Vice President or higher is required to own such number of Common Shares as is equal to the value of one times his or her annual base salary, as more particularly set forth in the table below. Such minimum share ownership requirements must be achieved within a five year period.

<b>Position</b>	<b>Base Salary</b>	<b>Multiple</b>	<b>Minimum Shareholding Requirement</b>	<b>Total Common Shares Held</b>	<b>Total Market Value of Common Shares<sup>(1)</sup></b>	<b>Meets Requirement</b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	\$515,556 <sup>(2)</sup>	4	\$1,820,000	6,012,753	\$108,830,829	Yes
Kai Kit Poon, President	\$309,335 <sup>(3)</sup>	1	\$309,335	177,505	\$3,212,840	Yes
David J. Horsley, Senior-Vice President and Chief Financial Officer	\$350,000	2	\$720,000	150,000	\$2,715,000	Yes
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	\$228,407 <sup>(4)</sup>	1	\$228,407	5,900	\$106,790	In process <sup>(5)</sup>

**Notes:**

- (1) "Total Market Value of Common Shares" is calculated based on the closing price of the Common Shares on the Toronto Stock Exchange as of May 3, 2010 multiplied by the number of Common Shares held.
- (2) Equivalent to US\$451,450 based on an annual average exchange rate of Cdn.\$1.142:US\$1.00 for fiscal 2009.
- (3) Equivalent to US\$270,871 based on an annual average exchange rate of Cdn.\$1.142:US\$1.00 for fiscal 2009.
- (4) Equivalent to US\$200,006 based on an annual average exchange rate of Cdn.\$1.142:US\$1.00 for fiscal 2009.
- (5) As the minimum share ownership requirement for senior executive officers was recently adopted by the Corporation in 2010, Mr. Albert Ip has a period of five years to meet the minimum shareholding requirement.

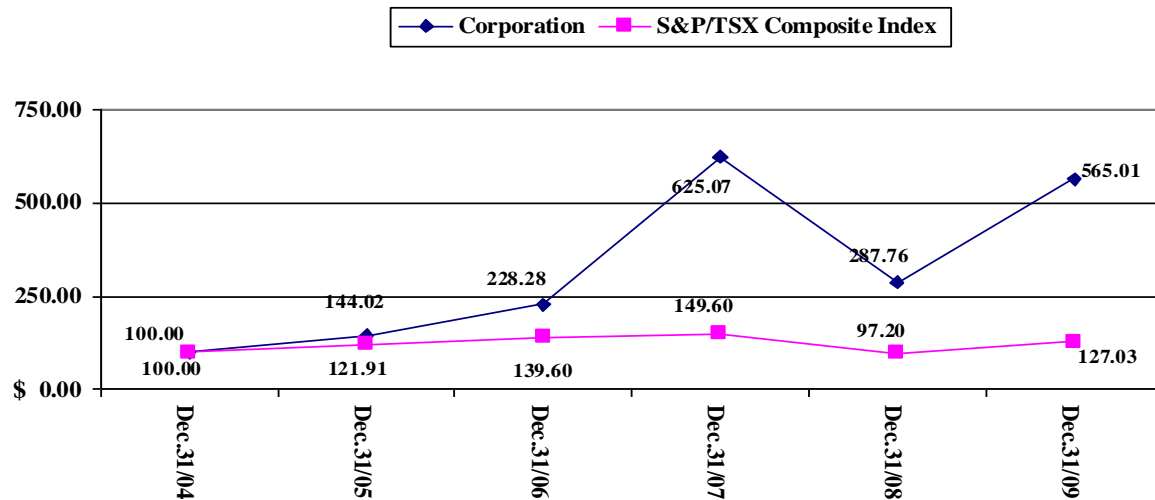
### *Pension Plan Benefits*

The Corporation does not have any defined benefits plans, defined contribution plans or deferred compensation plans.

## 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 total 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, 2004 to December 31, 2009 assuming \$100 initial investments. The performance of the Common Shares as set out in the graph below is based upon historical data and is not indicative of, nor is it intended to forecast, the future performance of the Common Shares.

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



Over the same five-year period, the total cash compensation received by the Named Executive Officers, in aggregate, increased by a compounded annual rate of 28.7% compared to the 41.4% compounded annualized increase in cumulative shareholder return for an investment in Common Shares on the TSX.

The Compensation and Nominating Committee considers a number of factors and performance elements when determining compensation for the executive officers of the Corporation. Although the Compensation and Nominating Committee believes that there is a strong link between creating shareholder value and executive compensation, as shareholder return is not one of the explicit performance goals, a direct correlation between shareholder returns and executive compensation levels over any one performance period may or may not be evident.

### Summary Compensation Table

The following table sets forth the compensation paid or awarded to the following officers of the Corporation: (i) the Chairman and Chief Executive Officer; (ii) the President; (iii) the Senior Vice-President and Chief Financial Officer; (iv) the Vice President, Risk Management; and (v) the Senior Vice President, Development and Operations, North East and South West China (collectively, the “**Named Executive Officers**”) for the Corporation’s financial years ended December 31, 2009 and December 31, 2008. The Corporation has five “executive officers” as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) whose compensation must be disclosed for the financial years ended December 31, 2009 and December 31, 2008.



Name and principal position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(11)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Allen T.Y. Chan, Chairman and Chief Executive Officer	2009	US\$451,450 <sup>(1)(6)</sup>	-	US\$682,982	US\$6,324,000	-	-	US\$140,696 <sup>(1)(7)</sup>	US\$7,599,128
	2008	US\$449,869 <sup>(1)(6)</sup>	-	-	US\$4,450,000	-	-	US\$92,746 <sup>(1)(7)</sup>	US\$4,992,615
Kai Kit Poon, President	2009	US\$270,871 <sup>(1)(8)</sup>	-	-	US\$632,000	-	-	US\$25,696 <sup>(1)(9)</sup>	US\$928,567
	2008	US\$269,923 <sup>(1)(8)</sup>	-	-	US\$450,000	-	-	US\$35,310 <sup>(1)(9)</sup>	US\$755,233
David J. Horsley, Senior Vice President and Chief Financial Officer	2009	US\$306,480 <sup>(2)</sup>	-	US\$287,802	US\$1,897,000 <sup>(3)</sup>	-	-	-	US\$2,491,282
	2008	US\$328,300 <sup>(2)</sup>	-	-	US\$1,335,000 <sup>(3)</sup>	-	-	-	US\$1,663,300
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	2009	US\$200,006 <sup>(1)</sup>	-	US\$127,836	US\$339,879 <sup>(4)</sup>	-	-	US\$37,966 <sup>(1)(10)</sup>	US\$705,687
	2008	US\$186,633 <sup>(1)</sup>	-	-	US\$261,076 <sup>(4)</sup>	-	-	US\$39,787 <sup>(1)(10)</sup>	US\$487,496
Thomas M. Maradin, Vice President, Risk Management	2009	US\$197,023 <sup>(2)</sup>	-	US\$87,850	US\$290,057 <sup>(5)</sup>	-	-	-	US\$574,930
	2008	US\$211,050 <sup>(2)</sup>	-	-	US\$213,894 <sup>(5)</sup>	-	-	-	US\$424,944

**Notes:**

- (1) The amounts denominated in US\$ under “Salary” and “All other compensation” are paid/payable in HK\$ to Mr. Chan, Mr. Poon and Mr. Ip. Such amounts are paid on a monthly basis and therefore all such HK dollar amounts are translated at an annual average exchange rate of HK\$7.751780:US\$1.00 for fiscal 2009 and HK\$7.78:US\$1.00 for fiscal 2008.
- (2) The amounts denominated in US\$ under “Salary” are paid/payable in Cdn.\$ to Mr. Horsley and Mr. Maradin. Such amounts are paid on a monthly basis and therefore all such Canadian dollar amounts are translated at an annual average exchange rate of Cdn.\$1.142:US\$1.00 for fiscal 2009 and Cdn.\$1.066:US\$1.00 for fiscal 2008.
- (3) The bonus amounts denominated in US\$ under “Annual incentive plans” are paid/payable in Cdn.\$ to Mr. Horsley and are translated at an exchange rate of Cdn.\$1.0288:US\$1.00 for fiscal 2009 and Cdn.\$1.2871:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (4) The bonus amounts denominated in US\$ under “Annual incentive plans” are paid/payable in HK\$ to Mr. Ip and are translated at an exchange rate of HK\$7.7626:US\$1.00 for fiscal 2009 and HK\$7.756:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (5) The bonus amounts payable to Mr. Maradin under “Annual incentive plans” were declared in HK\$ and are translated at the rate of HK\$7.7626:US\$1.00 for fiscal 2009 and HK\$7.756:US\$1.00 for fiscal 2008. Such bonus amounts are paid/payable in Cdn.\$ to Mr. Maradin at an exchange rate of Cdn.\$1.0288:US\$1.00 for fiscal 2009 and Cdn.\$1.2871:US\$1.00 for fiscal 2008, being the applicable exchange rate on the date that the Compensation and Nominating Committee approved such bonus amounts.
- (6) Includes fees (US\$386,949 in fiscal 2009 and US\$385,604 in fiscal 2008) which were paid to a company of which Mr. Chan is a director, for certain corporate services that were provided to Suri-Wood Inc. (“Suri-Wood”), a subsidiary of the Corporation. For further details, see “Significant Terms of Employment Agreements or Arrangements” below.

- (7) Includes perquisites and personal benefits for car benefits (US\$86,459 in fiscal 2009 and US\$84,505 in fiscal 2008), life insurance (US\$49,084 in fiscal 2009 and US\$6,028 in fiscal 2008) and club memberships.
- (8) Includes fees (US\$224,430 in fiscal 2009 and US\$223,650 in fiscal 2008) which were paid to a company of which Mr. Poon is a director, for certain corporate services that were provided to Suri-Wood. For further details, see “Significant Terms of Employment Agreements or Arrangements” below.
- (9) Includes perquisites and personal benefits for car benefits (US\$23,991 in fiscal 2009 and US\$32,673 in fiscal 2008) and life insurance.
- (10) Includes perquisites and personal benefits for car benefits (US\$27,129 in fiscal 2009 and US\$28,991 in fiscal 2008) and certain travel allowances (US\$10,836 in fiscal 2009 and US\$10,797 in fiscal 2008).
- (11) The amounts denominated in US\$ under “Option-based awards” are based on % of base annual salary of the NEOs (in Cdn.\$) and represent the dollar value used to determine the number of stock options to be awarded to the NEOs - see “Compensation Discussion and Analysis – Long-term Incentive Plan (LTIP)”. Such amounts have been translated at an exchange rate of Cdn.\$1.2590:US\$1.00, being the applicable exchange rate on March 30, 2009 (i.e. the trading date immediately prior to the grant date of such stock options). The number of stock options awarded to the NEOs was then determined using an exercise price of \$8.01 and a Black-Scholes factor of 4.10%. The Black-Scholes factor was calculated using the following variables: (a) expected life of the options; (b) expected volatility of the Common Share price; (c) risk-free interest rate; and (d) expected dividend yield of the Common Shares. The grant date fair value equals the accounting fair value for stock options.

Overall, for the financial year ended December 31, 2009, the total cost of compensation to the Named Executive Officers represented approximately 2.79% of the total gross profit of the Corporation.

### **Significant Terms of Employment Agreements or Arrangements**

Win Fair Holdings Group Limited, a company of which Allen T.Y. Chan is a director, has entered into an agreement with Suri-Wood Inc. (“**Suri-Wood**”), a subsidiary of the Corporation, to provide Suri-Wood with certain corporate services (including cash management, risk management, sales and marketing, governmental and investor relations, and research and development) at a fixed monthly fee of HK\$250,000 for the financial year ended December 31, 2009 (see “Summary Compensation Table” above).

Telstar Enterprises Limited, a company of which Kai Kit Poon is a director, has entered into an agreement with Suri-Wood to provide Suri-Wood with certain corporate services (including cash management, risk management, sales and marketing, governmental and investor relations, research and development) at a fixed monthly fee of HK\$145,000 for the financial year ended December 31, 2009 (see “Summary Compensation Table” above).

David J. Horsley and the Corporation have entered into an employment agreement which 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. Mr. Horsley’s base annual salary for the financial year ending December 31, 2009 was \$350,000. The agreement provides for the base annual salary to be reviewed annually by the Board of Directors. Mr. Horsley is entitled to participate in the Corporation’s bonus plan for executives as determined on an annual basis.

Albert Ip and Sino-Wood Partners, Limited, a subsidiary of the Corporation, have entered into an employment agreement which provides that two months’ prior notice is required by either party in order to terminate Mr. Ip’s employment.

Thomas M. Maradin and the Corporation have entered into an employment agreement which 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.

## Termination and Change of Control Benefits

The following table sets forth the termination and change of control benefits (if applicable) for each of the Named Executive Officers. In the event of termination or change of control, options which have been granted to the Named Executive Officers under the Stock Option Plan are not subject to any accelerated vesting provisions.

Name	Termination and Change of Control Benefits
Allen T.Y. Chan, Chairman and Chief Executive Officer	Pursuant to the terms of a consulting agreement between Suri-Wood and Win Fair Holdings Group Limited (a company of which Mr. Chan is a director), Suri-Wood may terminate the agreement upon 12 months' prior notice or upon payment of the applicable monthly fees (being HK\$250,000/month or approximately US\$32,246/month in 2009; see "Summary Compensation Table" above) for the 12 months following the effective date of written notice (being an aggregate of HK\$3,000,000 or approximately US\$386,949 based on the 2009 monthly fee). Win Fair may terminate the agreement upon six months' prior notice.
Kai Kit Poon, President	Pursuant to the terms of a consulting agreement between Suri-Wood and Telstar Enterprises Limited (a company of which Mr. Poon is a director), Suri-Wood may terminate the agreement upon 12 months' prior notice or upon payment of the applicable monthly fees (being HK\$145,000/month or approximately US\$18,703/month in 2009; see "Summary Compensation Table" above) for the 12 months following the effective date of written notice (being an aggregate of HK\$1,740,000 or approximately US\$224,430 based on the 2009 monthly fee). Telstar may terminate the agreement upon six months' prior notice.
David J. Horsley, Senior Vice President and Chief Financial Officer	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 (being an aggregate of US\$2,203,480 based on the annual base salary and bonus paid to Mr. Horsley in fiscal 2009; see "Summary Compensation Table" above). In the event of a termination without cause within 180 days of a "Change in Control" (as such term is defined in the employment agreement), Mr. Horsley is entitled to payment of a lump sum equal to two times the severance entitlement described above (being an aggregate of US\$4,406,960). Mr. Horsley may terminate his employment on three months' prior notice.
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	Two months' prior notice is required in order to terminate Mr. Ip's employment.
Thomas M. Maradin, Vice President, Risk Management	In the event that Mr. Maradin's employment is terminated without cause, he shall be paid an amount equal to the sum of his salary and his bonus (if any) paid in the calendar year immediately preceding the year of such termination (being an aggregate of US\$464,163 based on the annual base salary and bonus paid to Mr. Maradin in fiscal 2009; see "Summary Compensation Table" above).

## Incentive Plan Awards

### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all share-based and option-based awards outstanding for each of the Named Executive Officers as of December 31, 2009:

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share based awards that have not vested (\$)
Allen T.Y. Chan, Chairman and Chief Executive Officer	750,000 750,000 250,000 209,528	\$3.67 \$5.50 \$13.15 \$8.01	April 5, 2010 August 15, 2011 June 4, 2012 March 31, 2014	\$26,132,333	-	-
Kai Kit Poon, President	-	-	-	-	-	-
David J. Horsley, Senior Vice President and Chief Financial Officer	121,000 100,000 100,000 88,293	\$3.90 \$2.70 \$13.15 \$8.01	September 9, 2009 <sup>(2)</sup> October 10, 2010 June 4, 2012 March 31, 2014	\$5,167,971	-	-
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	100,000 39,218	\$13.15 \$8.01	June 4, 2012 March 31, 2014	\$1,068,909	-	-
Thomas M. Maradin, Vice President, Risk Management	120,000 26,951	\$4.36 \$8.01	August 25, 2011 March 31, 2014	\$2,108,833	-	-

#### Notes:

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$19.38 for the Common Shares on the Toronto Stock Exchange on December 31, 2009 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) In accordance with the rules and policies of the Toronto Stock Exchange and the terms of the Stock Option Plan, the option expiration date was extended to the date which is eight business days after the end of the Corporation’s blackout period which commenced on December 21, 2009.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the year ended December 31, 2009:

<b>Name</b>	<b>Option-based awards – Value vested during the year (\$)</b>	<b>Share-based awards – Value vested during the year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the year (\$)</b>
Allen T.Y. Chan, Chairman and Chief Executive Officer	\$2,702,500 <sup>(1)</sup>	-	US\$6,324,000
Kai Kit Poon, President	-	-	US\$632,000
David J. Horsley, Senior Vice President and Chief Financial Officer	\$15,000 <sup>(2)</sup>	-	US\$1,897,000
Albert Ip, Senior Vice President, Development and Operations, North East and South West China	\$15,000 <sup>(3)</sup>	-	US\$313,025
Thomas M. Maradin, Vice President, Risk Management	\$330,600 <sup>(4)</sup>	-	US\$267,140

**Notes:**

- (1) Calculated based upon the following closing prices for the Common Shares on the Toronto Stock Exchange as of the vesting dates of certain options granted to Mr. Chan: (i) \$13.60 on June 4, 2009; and (ii) \$16.16 on August 14, 2009 (being the last trading date before August 15, 2009), less the applicable exercise price of such options, and multiplied by the number of such vested options.
- (2) Calculated based upon a closing price of \$13.60 for the Common Shares on the Toronto Stock Exchange on June 4, 2009, being the vesting date of certain options granted to Mr. Horsley, less the applicable exercise price of such options, and multiplied by the number of such vested options.
- (3) Calculated based upon a closing price of \$13.60 for the Common Shares on the Toronto Stock Exchange on June 4, 2009, being the vesting date of certain options granted to Mr. Ip, less the applicable exercise price of such options, and multiplied by the number of such vested options.
- (4) Calculated based upon a closing price of \$9.87 for the Common Shares on the Toronto Stock Exchange on December 31, 2008 (being the last trading date before January 1, 2009, i.e. the vesting date of certain options granted to Mr. Maradin), less the applicable exercise price of such options, and multiplied by the number of such vested options.

## Director Compensation

During fiscal 2009, the Compensation and Nominating Committee engaged Mercer (Canada) Limited (“**Mercer**”) to review the Corporation’s compensation program for directors. There are currently no plans to make any changes to the compensation program.

The Corporation’s compensation program for directors takes into account the unique needs and special characteristics of a Canadian public company with substantially all of its operations located in China. The following table sets forth all amounts of compensation provided to the directors of the Corporation (other than directors who are also Named Executive Officers) for the year ended December 31, 2009:<sup>(1)</sup>

Name	Fees earned (\$)	Share-based awards <sup>(2)</sup> (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
James M.E. Hyde	\$83,500	\$32,462	-	-	-	-	\$115,962
Edmund Mak	\$68,250	\$21,647	-	-	-	-	\$89,897
Judson Martin	\$113,500	\$52,578	-	-	-	-	\$166,078
Simon Murray	\$17,250	\$30,911	-	-	-	-	\$48,161
Peter Wang	\$33,000	\$24,729	-	-	-	-	\$57,729

### Notes:

- (1) Allen T.Y. Chan does not receive any director’s fees as he is an executive officer of the Corporation.
- (2) In the form of DSUs which, when a director ceases to be a director of the Corporation, may be redeemed for cash or, at the election of the non-executive director, in the form of Common Shares acquired by the Corporation on the open market on such director’s behalf. See “Deferred Stock Unit Plan”.

### 2009 Compensation Structure

The following table illustrates the Corporation’s fiscal 2009 compensation structure for its Board of Directors and the committees thereof. The directors may also be reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors in addition to the compensation set out below.

Annual Retainer		Per Meeting	
Lead Director	\$50,000	Board	\$1,500
Director	\$20,000	Audit Committee	\$1,500
Chairman - Audit Committee	\$20,000	Compensation and Nominating Committee	\$1,500
Chairman – Compensation and Nominating Committee	\$7,500	Corporate Governance Committee	\$1,500
Chairman – Corporate Governance Committee	\$7,500	Out of Country Travel Fees	\$4,000
Member – Audit Committee	\$10,000	Out of Province Travel Fees	\$1,500
Member – Compensation and Nominating Committee	\$5,000		

**Annual Retainer****Per Meeting**

Member – Corporate Governance Committee \$5,000

*Deferred Stock Unit Plan*

Effective in fiscal 2009, non-executive directors of the Corporation are no longer granted stock options. Instead, the Corporation has adopted a deferred stock unit plan (the “**DSU Plan**”) for its non-executive directors, pursuant to which the Compensation and Nominating Committee will grant annual deferred stock unit awards (the “**DSUs**”) equal to (but not in substitution for) the amount of annual retainer fees earned by the respective non-executive directors (excluding retainer fees for acting as Lead Director) and reflecting the amount of time spent on board-related matters. In addition to the annual grant of DSUs, the non-executive directors may elect to receive in lieu of cash payment up to and including 100% of their annual retainer fees in the form of DSUs. On the last business day of each three-month period commencing June 1 of each year, such number of DSUs as is equal to 25% of the applicable annual retainer fees divided by the Fair Market Value (defined in the DSU Plan as the closing price of the Common Shares on the Toronto Stock Exchange) shall be credited to the holder’s account. The DSUs can be redeemed for cash or, at the election of the non-executive director, in the form of Common Shares acquired by the Corporation on the open market on such director’s behalf through an independent broker, when the holder ceases to be a director of the Corporation.

*Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all awards outstanding for each of the directors of the Corporation (other than directors who are also Named Executive Officers) as of December 31, 2009:

Name	Option-Based Awards				Share-Based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share based awards that have not vested (\$)
James M.E. Hyde	3,334	\$13.15	June 4, 2012	\$20,771	-	-
Edmund Mak	105,000 11,111 3,334	\$2.72 \$4.36 \$13.15	May 11, 2009 <sup>(1)</sup> August 25, 2011 June 4, 2012	\$1,936,958	-	-
Judson Martin	14,814 153,334	\$4.36 \$13.15	August 25, 2011 June 4, 2012	\$1,177,777	-	-
Simon Murray	-	-	-	-	-	-
Peter Wang	2,081	\$14.01	August 21, 2012	\$11,175	-	-

**Notes:**

- (1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of \$19.38 for the Common Shares on the Toronto Stock Exchange on December 31, 2009 and the exercise price of the options, multiplied by the number of unexercised options.
- (2) In accordance with the rules and policies of the Toronto Stock Exchange and the terms of the Stock Option Plan, the option expiration date was extended to the date which is eight business days after the end of the Corporation’s blackout period which commenced on December 21, 2009.

*Incentive Plan Awards – Value Vested or Earned During the Year*

The following table sets forth the value of all incentive plan awards vested or earned for each director of the Corporation (other than directors who are also Named Executive Officers) during the year ended December 31, 2009:

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
James M.E. Hyde	-	\$32,462	-
Edmund Mak	-	\$21,647	-
Judson Martin	\$22,500 <sup>(1)</sup>	\$52,578	-
Simon Murray	-	\$30,911	-
Peter Wang	-	\$24,729	-

**Notes:**

- (1) Calculated based upon a closing price of \$13.60 for the Common Shares on the Toronto Stock Exchange on June 4, 2009, being the vesting date of certain options granted to Mr. Martin, less the applicable exercise price of such options, and multiplied by the number of such vested options.
- (2) In the form of DSUs which, when a director ceases to be a director of the Corporation, may be redeemed for cash or, at the election of the non-executive director, in the form of Common Shares acquired by the Corporation on the open market on such director's behalf. See "Deferred Stock Unit Plan".

**Insurance**

In 2009, the Corporation purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$60,000,000 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, 2009, the Corporation paid a premium of \$223,316 (inclusive of applicable taxes) in respect of such insurance.



## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2009 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 Stock Option Plan. In fiscal 2009, the Corporation granted options to purchase an aggregate of 654,618 Common Shares under the Stock Option Plan, being approximately 0.27% of the issued and outstanding Common Shares as of December 31, 2009. The Corporation does not have any equity compensation plans that have not been approved by shareholders.

<b>Plan Category</b>	<b>Number of Common Shares to be issued upon exercise of outstanding options</b>	<b>Weighted-average exercise price of outstanding options</b>	<b>Number of Common Shares remaining available for future issuance under equity compensation plans</b>
<b>Stock Option Plan</b>	4,118,626	\$8.59	1,007,041
<b>Equity compensation plans not approved by security holders</b>	-	-	-
<b>Total</b>	4,118,626	\$8.59	1,007,041

### Incentive Stock Option Plan

The Board of Directors is responsible for establishing or amending the incentive stock option plan of the Corporation (the “**Stock Option Plan**”) or, in certain cases, proposing amendments to be approved by the shareholders of the Corporation, while the Compensation and Nominating Committee has been delegated the authority to grant options under the Stock Option Plan and is also responsible for its administration.

The frequency, the recipients and the number of options to be granted are approved by the Compensation and Nominating Committee. The granting of options may be approved by the Compensation and Nominating Committee as acknowledgement of special events, such as exceptional results and performance, a promotion, or hiring of an executive officer.

The Chief Executive Officer can make recommendations to the Compensation and Nominating Committee relating to the discretionary grant of options to other executive officers. These recommendations are typically based on an assessment of an executive’s performance in contributing to the Corporation’s financial and corporate objectives, as well as future potential.

Options under the Stock Option 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. Previous grants of options are taken into account when considering new grants.

The Stock Option Plan provides that the exercise price at which Common Shares may be issued upon the exercise of options granted under the Stock Option 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 Stock Option 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 Stock Option Plan) under the Stock Option 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 Stock Option 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. In the event that an option expires during 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), the expiration date of the 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 the blackout period.

The Stock Option Plan further permits the Corporation to make loans to, or provide guarantees for loans by financial institutions to, participants in the Stock Option 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 Stock Option Plan contains an amending provision that sets out the circumstances where TSX and shareholder approval will be required for an amendment to the Stock Option Plan, including any amendment to the number of Common Shares issuable under the Stock Option Plan and certain amendments to options held by insiders, and the circumstances where such TSX and shareholder approval will not be required (e.g. amendments of a housekeeping nature).

The maximum number of Common Shares issuable pursuant to exercises of options granted under the Stock Option Plan is 10,000,000. As at May 3, 2010, 4,289,109 Common Shares, being approximately 1.77 % of the currently issued and outstanding number of Common Shares, were issuable pursuant to unexercised options granted to such date under the Stock Option Plan and options to purchase a further 836,558 Common Shares, being approximately 0.34% of the currently issued Common Shares, remained available for grant under the Stock Option Plan as at such date.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As at May 3, 2010, 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, 2009 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, 2009 or as at May 3, 2010 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 best practices and against the corporate governance guidelines set out in National Policy 58-201 and believes that they are well aligned with such practices and guidelines.

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

### **Independence of Directors**

The Board of Directors currently consists of a total of seven directors of which William E. Ardell, James M.E. Hyde, Edmund Mak, Judson Martin, Simon Murray and Peter Wang are considered "independent", as such term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. Allen T.Y. Chan is the only director of the Corporation who is not considered independent as he is an executive officer of the Corporation.

Mr. Ardell is also Lead Director and a member of the Audit Committee of Canadian Mini-Warehouse Properties Company, the general partner of Public Storage Canadian Properties (PUB: TSX). Mr. Martin is also Chairman and Chair of the Audit Committee of SWEF Terrawinds Resources Corp.. 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), Orient Overseas (International) Limited (0316.HK), USI Holdings Limited (0369.HK); (ii) Compagnie Financière Richemont SA (CFR: SWX), a company listed on the Swiss Stock Exchange; and (iii) Vodafone Group Plc, a company listed on the London Stock Exchange. The remaining directors are not directors of any other reporting issuers (or the equivalent).

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. Judson Martin is the current Lead Director of the Corporation.

### **No Common Directorships**

As of May 3, 2010, no members of the Board of Directors serve together on any outside boards.

## Attendance at Meetings

The following is a summary of the number of Board of Directors and committee meetings held during the financial year ended December 31, 2009 and the attendance record of each director:

### *Summary of Board and Committee Meetings Held*

Type of Meeting	Number of Meetings
Board	17
Audit Committee	7
Compensation and Nominating Committee	5
Corporate Governance Committee	1
<b>Total Number of Meetings Held</b>	<b>30</b>

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

Director	Board Meetings Attended	Committee Meetings Attended
Allen T.Y. Chan	15 out of 17	n/a
Kai Kit Poon <sup>(1)</sup>	2 out of 8	n/a
James M.E. Hyde	17 out of 17	13 out of 13
Edmund Mak	16 out of 17	7 out of 8
Judson Martin	16 out of 17	13 out of 13
Simon Murray	4 out of 17	0 out of 5
Peter Wang	16 out of 17	n/a

#### **Note:**

(1) Kai Kit Poon ceased to be a director of the Corporation on May 25, 2009.

Simon Murray, a long-standing director of the Corporation, was not able to attend meetings as often as would be preferred, but he continues to be well-versed on all material issues relating to the Corporation. Since 1999, Mr. Murray has provided valuable advice and counsel to the Corporation's executive team. Despite his absence at a number of the Board meetings, Mr. Murray will typically relay his views prior to such meetings and regularly follows up with the Lead Director as to topics covered at the meetings.

### *Meetings without Management*

The Board of Directors has adopted a policy which makes it mandatory for independent directors to meet at every board and committee meeting without the presence of non-independent directors and members of management. During 2009, the independent directors met without management at each of the board meetings (17 in total) and committee meetings (13 in total).

**Requirement for Share Ownership**

The Board has implemented a policy that non-executive directors are expected to purchase such number of Common Shares equal to three times the annual retainer amount (being \$60,000 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, non-executive directors are expected to acquire such number of Common Shares as is equal to half of such amount (being \$30,000) within the first two years of serving as a director. The value of the DSUs which are held by the non-executive directors applies towards these minimum share ownership requirements.

**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. A copy of the written mandate for the Corporation’s directors is attached hereto as Schedule “A”.

**Retirement Policy**

The Board of Directors does not currently have a formal retirement policy in place.

**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.

**Succession Planning**

In 2010, as part of the Board of Director’s succession planning process, the Compensation and Nominating Committee recommended to the Board of Directors that William E. Ardell be added as an independent director. In addition, the independent members of the Board of Directors have regular discussions concerning succession planning for senior executive officers, including the Chairman and Chief Executive Officer 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 is in the process of implementing a formal continuing education program which will include: (i) tutorial sessions from topical experts at specially-scheduled board meetings, covering current key financial and regulatory issues; and (ii) funding the costs for directors to attend various director education programs. The Board, with or without the assistance of advisors, also regularly updates the directors from time to time on changing governance and legal issues and undertakes thorough strategic planning sessions with Management. In addition, the Board schedules site visits to the Corporation’s offices in Hong Kong and its plantations in China with the most recent visit taking place in February 2010.

## **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.

## **Insider Trading Policy – Disclosure of Trades**

The Corporation's insider trading policy states that all employees, officers and directors of the Corporation are required to obtain the prior approval of the Chief Financial Officer before trading in any securities of the Corporation.

## **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 and informal means. On an annual basis, the Corporate Governance Committee circulates a board effectiveness questionnaire to be completed by each of the directors of the Corporation which requires directors to complete a self-assessment of their performance and a peer review of the Board's performance. The Board and its committees are also required to evaluate their performances based on an annual review of their respective charters and policies.

## **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 M.E. Hyde (Chairman), Mr. William E. Ardell, 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 National 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, 2009, 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 National 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. James M.E. Hyde (Chairman), Mr. William E. Ardell, Mr. Edmund Mak and Mr. Judson Martin.

### *Compensation and Nominating Committee*

The Compensation and Nominating Committee is currently made up of Mr. Judson Martin (Chairman), Mr. William E. Ardell, Mr. Simon Murray and Mr. James M.E. 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 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 has engaged Mercer to provide support to the committee in determining compensation for the Corporation's officers and directors during the most recently completed fiscal year. Decisions made by the Compensation and Nominating Committee, however, are the responsibility of the committee and may reflect factors and considerations other than the information and recommendations provided by Mercer. During the financial year ended December 31, 2009, the Corporation paid an aggregate of \$38,925 in fees to Mercer. Mercer did not provide any other services to the Corporation during the financial year ended December 31, 2009.

### *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 current members of the committee are Thomas Maradin (Chair), Vice President, Risk Management; Alfred Hung, Vice President, Corporate Planning and Banking; George Ho, Vice President, Finance (China); Eric Chan, Assistant Vice President, Finance (Hong Kong); Louisa Wong, Senior Manager, Investor Relations; Emilia Sin, Manager, Company Secretary and Compliance; Xu Ni, Vice President, Legal Affairs; and Tang Bin, Senior Manager, PRC 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 executive 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 NI 51-102) 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, 2009 or in any proposed transaction which has materially affected or will materially affect the Corporation.

On February 6, 2009, the Corporation acquired 55 million ordinary shares in the capital of Omnicorp Limited ("**Omnicorp**"), a Hong Kong listed company, and Omnicorp 4% secured convertible bonds (the "**Omnicorp Convertible Bonds**") with an aggregate principal amount of approximately US\$21.6 million from various vendors. The aggregate purchase price paid by the Corporation was satisfied by the payment of approximately US\$4.3 million in cash for the Omnicorp shares and the issuance of approximately 2.7 million Common Shares at a price of Cdn.\$10.00 per share for the Omnicorp Convertible Bonds. The acquisition was completed in the secondary market from various third parties, as well as from Mr. Simon Murray (or an entity he controls), a director of the Corporation. The value of the Omnicorp shares and Omnicorp Convertible Bonds being sold by Mr. Murray to the Corporation represented approximately 5.5% of the aggregate value of the overall transaction.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **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 and age 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 beneficially owned, or controlled or directed, directly or indirectly by such person as at May 3, 2010:



Name, Age and Place of Residence	Principal Occupation	Director Since	Number and Class of Shares Beneficially Owned, Controlled or Directed	Number of DSUs	Total Market Value of Common Shares and DSUs <sup>(6)</sup>	Meets Minimum Shareholding Requirement?
Allen T.Y. Chan Age: 58 Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	6,012,753 Common Shares <sup>(4)</sup>	-	\$108,830,829	Yes
William E. Ardell <sup>(1)(2)(3)</sup> Age: 66 Ontario, Canada	Consultant	2010	2,000 Common Shares	183	\$39,512	In Process <sup>(7)</sup>
James M.E. Hyde <sup>(1)(2)(3)</sup> Age: 55 Ontario, Canada	Consultant	2004	10,000 Common Shares	2,317	\$222,938	Yes
Edmund Mak <sup>(1)(3)</sup> Age: 62 British Columbia, Canada	Associate broker, Royal Pacific Realty Corporation, a real estate agency	1994	115,000 Common Shares	1,545	\$2,109,465	Yes
Judson Martin <sup>(1)(2)(3)</sup> Age: 54 Ontario, Canada	Consultant	2006	30,000 Common Shares	3,751	\$610,893	Yes
Simon Murray <sup>(2)</sup> Age: 70 Hong Kong	Chairman, General Enterprises Management Services (International) Limited, a private equity fund management company	1999	102,686 Common Shares <sup>(5)</sup>	2,207	\$1,898,563	Yes
Peter Wang Age: 58 Hong Kong	Senior Commercial Consultant, Zijin Copper (a subsidiary of Zijin Mining Group, a Hong Kong listed company)	2007	Nil	1,765	\$31,947	In process <sup>(8)</sup>

**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) All of such Common Shares are owned by Forest Operations Limited, a corporation controlled by Mr. Murray.
- (6) "Total Market Value of Common Shares and DSUs" is calculated based on the closing price of the Common Shares on the Toronto Stock Exchange as of May 3, 2010 multiplied by the number of Common Shares and DSUs held.

- (7) Mr. Ardell was appointed to the Board in 2010 and has a period of four years to meet the minimum shareholding requirement (half of which must be acquired within the first two years of serving as a director). See “Report on Corporate Governance – Requirement for Share Ownership.”
- (8) Mr. Wang was appointed to the Board in 2007 and has a period of four years to meet the minimum shareholding requirement (half of which must be acquired within the first two years of serving as a director). See “Report on Corporate Governance – Requirement for Share Ownership.”

The following provides a brief description of certain biographical information regarding the above-named nominees:

*Allen T.Y. Chan*

Mr. Chan co-founded the Corporation in 1992 and has been the Chairman, Chief Executive Officer and a director of the Corporation since 1994. Mr. Chan is responsible for the Corporation’s overall strategic planning and management. Mr. Chan is a recognized leader in the field of sustainable development. Prior to co-founding the Corporation, he worked for 12 years as a management consultant and project manager in China. He has also worked for the Hong Kong government in new town development and management programs. He spearheaded the Sustainable Development Leadership Program jointly organized by the School of Forestry and Environmental Studies at Yale University and the Nanjing Forestry University in the PRC. Mr. Chan is a well known writer, under the name of “管仲連”, on culture, history and business issues and has published books in Hong Kong and the PRC. He regularly speaks at Hong Kong and Chinese universities. He graduated from the Sociology Department at the Hong Kong Baptist College (currently the Hong Kong Baptist University) in 1979 and was awarded with an Honorary University Fellowship from the Hong Kong Baptist University in 2008. In 2007, Mr. Chan joined the Jiangxi Committee of the Tenth Session of the Chinese People’s Political Consultative Conference. Mr. Chan has also been appointed as Executive Director of Renmin University of China, also known as the People’s University of China, for a three-year term effective from October 2007.

*William E. Ardell*

William E. Ardell was President and Chief Executive Officer and a director of Southam Inc. from January 1992 to September 1996. Subsequent to his departure from Southam Inc. he has sat on a number of public and private sector boards as well as not for profit organizations, serving in varying capacities as Chairman, Senior Director and Director and as the Chair and/or member of many board committees. From 2005 to 2006, Mr. Ardell was the President and Chief Executive Officer of Spellread Inc., a start-up learning system company. During his career, Mr. Ardell has had experience in capital markets, acquisitions and divestures as well as strategic planning and implementation.

*James M.E. Hyde*

Mr. Hyde is a Chartered Accountant and enjoyed a 24 year career with Ernst & Young LLP until October 2002, that included 12 years as a Partner. From October 2002 until April 2006, Mr. Hyde was the Vice President, Finance and Chief Financial Officer of the TSX-listed issuer GSW Inc., a manufacturer and distributor of consumer durable products. GSW Inc. was acquired by A.O. Smith Corporation in April 2006 and from April to December 2006, Mr. Hyde provided consulting assistance to A.O. Smith Corporation. From January 2007 to November 2008, Mr. Hyde was the Executive Vice President and Chief Financial Officer of Resolve Business Outsourcing Income Fund, a TSX-listed income trust fund. Since December 2008, Mr. Hyde has been a consultant.

*Edmund Mak*

Mr. Mak has over 35 years of business and management experience with several multinational and private corporations in North America and Hong Kong in a variety of industries: real estate, computer and high technology, transportation, construction, oil and gas, textile and PRC trade. Mr. Mak is currently an associate broker of Royal Pacific Realty Corporation in Vancouver, Canada. He was an associate broker

of Re/Max Select Properties from January 1999 to October 2008. Mr. Mak is a graduate of the University of Toronto with an M.B.A. degree.

*Simon Murray*

Mr. Murray was the Group Managing Director of Hutchison Whampoa Ltd. from 1984 to 1993 and the executive chairman in Asia Pacific of the Deutsche Bank group from 1993 to 1998, before establishing his own company, GEMS, a mid-sized investment group operation across Asia. He is the Chairman of this private equity fund management company. He is also a director of a number of public companies including Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited, Arnold Holdings Limited, USI Holdings Limited, Compagnie Financière Richemont SA, and Vodafone Group Plc. Mr. Murray is a member of the Former Directors Committee of The Community Chest and is involved in a number of other charitable organizations, including The China Coast Community Association. Mr. Murray has been awarded the CBE (Commander of the British Empire) by H.M. The Queen and the Order of Merit of the French Republic and is a “Chevalier de La Legion d’Honneur”.

*Judson Martin*

Mr. Martin was Senior Executive Vice President and Chief Financial Officer of Alliance Atlantis Communications Inc. (“**Alliance Atlantis**”) from March 2003 to June 2005 and was Executive Vice President and Chief Financial Officer from May 1999 to November 2002. Mr. Martin was a member of the board of directors of Motion Picture Distribution Inc. and an Executive Officer of Movie Distribution Income Fund and Movie Distribution Holding Trust, controlled subsidiaries of Alliance Atlantis, since their launch in October 2003 until June 2005, and also served as Chief Financial Officer until September 2004. From November 2002 until January 2003, Mr. Martin was President and Chief Executive Officer of TGS North American REIT. From July 1995 to September 1997, Mr. Martin was Senior Executive Vice-President and Chief Financial Officer and a Director of MDC Communications Corporation. From October 1982 to July 1995, Mr. Martin was employed by certain subsidiaries of Brascan Corporation, including Trizec Corporation Ltd. as Vice President and Treasurer, Brookfield Development Corporation as Executive Vice President and Chief Financial Officer and Trilon Securities Corporation as President and Chief Executive Officer. Mr. Martin is also Chairman of SWEF Terrawinds Resources Corporation and Chair of its Audit Committee.

*Peter Wang*

Mr. Wang also served as Senior Commercial Consultant of Zijin Copper, a subsidiary of Zijin Mining Group, a Hong Kong listed company, and is the Chief of China Far East International Tendering Company, Shanghai, one of PRC’s major state-owned tendering companies. Mr. Wang has over 30 years’ experience in Sino-foreign projects and business affairs, predominantly related to the petrochemical and mining industries, as well as wood-based panel industries. He was involved in a number of pioneering projects when the PRC first opened up its foreign markets in the late 1970s. He was a member of the Formulation Committee of Chinese-Foreign Contract, Guangdong Province and was also a member of the delegation team travelling with the PRC Premier Wen Jiabao to India in 2005 to execute contracts and projects related to highway and power stations, and to expand Sino-Indian bilateral trade and economic cooperative ties.

**Appointment of Auditor**

Management proposes to nominate Ernst & Young LLP (“**E&Y**”), which firm has been the auditor of the Corporation since its appointment by the Board of Directors of the Corporation on August 12, 2007, 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 E&Y 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.

#### **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, 2009 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, 2009.

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: May 4, 2010.

*“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 on an annual basis.
- 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.
- Engage in succession planning including appointing, training and monitoring senior management.

##### *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.

- Satisfy itself as to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.
- Monitor compliance with the Code of Ethics of the Corporation.

*Material Transactions*

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

*Monitoring Directors' Effectiveness*

- Assess their 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 constating documents, policies and guidelines.



*Sino-Forest Corporation*