



**FOR IMMEDIATE RELEASE**

## **SINO-FOREST RESPONDS TO THE GLOBE AND MAIL ARTICLE**

**TORONTO, CANADA, June 20, 2011** – Sino-Forest Corporation (TSX: TRE) (“Sino-Forest” or the “Company”), a leading commercial forest plantation operator in China, today made the following statement in response to the incorrect portrayal of its business provided by The Globe and Mail in an article published on Saturday, June 18th.

At the heart of The Globe and Mail's article is the assertion that there is a discrepancy between the Company's public disclosure regarding its 2007 Master Agreement with Gengma Dai and Wa Tribes Autonomous County Forestry Limited (“Gengma Dai and Wa”) for the purchase of plantations in the province of Yunnan (the “Master Agreement” - filed in the dataroom on the Company's website), acquisitions made under it, and the description of the Master Agreement and related acquisitions that was apparently provided by Gengma Dai and Wa to The Globe and Mail. There is no discrepancy.

The Chairman of Gengma Dai and Wa, Mr. Xie Hongting, was introduced by Sino-Forest to The Globe and Mail in an open attempt to address some of its many questions. After the interview with Mr. Xie, the Company had its own background interview with The Globe and Mail, during which it became clear there were some factual misunderstandings regarding the Company's ownership of trees in Yunnan. The Company informed The Globe and Mail that Mr. Xie would clarify the relationship between both parties. However, The Globe and Mail chose not to wait for Gengma Dai and Wa's complete description of its relationship with Sino-Forest.

The Company has provided the following status update with respect to its Yunnan tree ownership resulting from the Master Agreement entered into with Gengma Dai and Wa in 2007:

- Sino-Forest entered into the first Yunnan Master Agreement in 2007 (filed in the dataroom on the Company's website). The Master Agreement had a target to acquire ‘approximately’ 200,000 hectares (3 million mu – mu being the common Chinese unit of land measurement that is equivalent to 1/15th of a hectare) of standing timber. The Master Agreement does not specify a maximum amount of standing timber to be acquired under the Agreement (the phrase “up to” in The Globe and Mail article is inaccurate and not a reflection of the Company's public disclosures on this matter). As per Sino-Forest's 2010 Annual Information Form, the Company had acquired 190,300 hectares (2.855 million mu) under the Master Agreement and retained holdings of 186,700 hectares (2.8 million mu) as at December 31, 2010. As per the Management's Discussion and Analysis (MD&A) that accompanied the financial statements for the first quarter 2011, the Company had acquired approximately a total of 230,200 hectares (3.453 million mu) under the Master Agreement as of March 31, 2011.
- In 2007, through its subsidiaries, the Company entered into specific agreements to acquire standing timber and land use rights on 12,667 hectares (190,000 mu) of Gengma Dai and Wa's land in Lincang City, Yunnan Province. A sample of these agreements have previously been published on the Company's website.
- Subsequent to that initial sale, Gengma Dai and Wa has sold approximately 34,667 hectares (520,000 mu) of standing timber located in Lincang City, Yunnan Province to subsidiaries of the Company. Of this amount approximately 12,000 hectares (180,000 mu) was standing timber owned by Gengma Dai and Wa, and approximately 22,667 hectares (340,000 mu) was standing timber sold to the Company by others. Gengma Dai and Wa acted as a purchasing agent in those transactions, by arranging the sales of bundles of standing timber parcels to the Company and its subsidiaries by the owners of such standing timber.

- In addition, Gengma Dai and Wa has acted as the Company's purchasing agent, under the Master Agreement, for the purchase of other standing timber elsewhere in Yunnan Province, beyond Lincang City, totalling approximately 182,867 hectares (2.743 million mu).
- As a result, in total under the Master Agreement, the Company through its subsidiaries has acquired standing timber of 182,867 hectares (2.743 million mu), plus 34,667 hectares (520,000 mu) and 12,667 hectares (190,000 mu), for a total of approximately 230,200 hectares, or approximately 3.453 million mu.
- Gengma Dai and Wa is currently continuing to work with the Company on further purchases in Lincang City, Yunnan Province.

This breakdown is completely consistent with the Company's public disclosure of its total acquisitions of standing timber hectares in Yunnan Province in its first quarter 2011 MD&A of 230,200 hectares (3.453 million mu) acquired pursuant to the Yunnan Master Agreement and is also consistent with the comments of Mr. Xie of Gengma Dai and Wa to The Globe and Mail. When asked in the interview how much he has sold to Sino-Forest, he accurately says he has sold the Company "almost 200,000 mu" (13,333 hectares) which represents land use rights on land provided by Gengma Dai and Wa and is an approximate total of the Company's land lease certificates in Yunnan. In addition, Gengma Dai and Wa has sold standing timber for a total of another 34,667 hectares (520,000 mu) in Lincang City both as owner and as agent, and acted as an agent on another 182,867 hectares (2.743 million mu) elsewhere in Yunnan Province. For further clarity, the Company attaches Gengma Dai and Wa's own statement on this matter which was issued over the weekend, again consistent with what the Company has set out above. This is the clarification that the Company asked The Globe and Mail to wait for prior to publication; however the newspaper chose to publish the article without all of the facts on June 18th.

The Globe and Mail's article is further inaccurate in a critical part of its research. It refers to "Gengma Forestry", with its "litter-strewn" office "up a dusty cement staircase"; and its office manager Zhang Ling. Very poetic, but completely irrelevant, because based on the information that The Globe and Mail provided to the Company, the Company believes that this is the address of a business known as Gengma Dai and Wa Autonomous County Forestry Industrial Co., Ltd. (耿马傣族佤族自治县林产有限责任公司). It is a different organization from Gengma Dai and Wa Tribes Autonomous County Forestry Limited (耿马傣族佤族自治县林业有限责任公司), with whom Sino-Forest has its Master Agreement, which is based at an entirely different address. Upon becoming aware of this incorrect description, the Company provided the correct address for Gengma Dai and Wa Tribes Autonomous County Forestry Limited to The Globe and Mail.

In addition, in support of its case The Globe and Mail quotes an unnamed broker who stated that "most of the land with good trees around Gengma is all sold out." The scope of the Master Agreement encompasses the whole of Yunnan Province. For reference, Gengma County represents approximately 16% of the landmass of Lincang City area and less than 1% of Yunnan Province as a whole.

Furthermore, regarding The Globe and Mail's reference to an unnamed Yunnan Provincial forestry bureau official saying that Sino-Forest manages far less than 200,000 hectares, as indicated in the Company's written response to The Globe and Mail, the provincial level bureau records land ownership and land lease transactions, but does not separately record sales of standing timber. As publicly disclosed, the substantial majority of Sino-Forest's purchases are standing timber. The provincial level forestry bureau will therefore not have full details of the total area of timber purchases under Sino-Forest's and its subsidiaries' names.

The Company would like to remind investors that most domestic and multinational companies with significant China exposure, a country with a rapidly evolving business environment, have structures and operations that are complex and significantly different from the North American environment and that can be complex to explain. As, for example, the distinction between ownership of standing timber and leasing the underlying land by plantation operators whereas only the State and farmers-collective "own" the land that exists in China. The Independent Committee has told the Board that the review and examination being undertaken by the Independent Committee with the assistance of PricewaterhouseCoopers (PwC) and its independent legal advisors will likely take at least two to three months, which is normal for such processes. The Company fully understands that the pressure for

answers is significant, but stands by its public disclosure and, as far as possible, asks that investors trust that process, and allow it to be conducted fully and definitively, not over-judging single articles or publications that are not produced by persons necessarily familiar with the forestry business or business practices in China, that might not be fully sourced or accurate. During the course of the Independent Committee's examination, the Board expects it will provide updates from such process as appropriate. That is precisely why the Company and Independent Committee need the time to complete the process.

#### **Terms used in this announcement**

- Mu is a standard unit of land measurement in China and is one-fifteenth of a hectare (1 hectare = 15 mu).
- Gengma County in Yunnan Province falls within the jurisdiction of Lincang City metropolitan area.

#### **About Sino-Forest Corporation**

Sino-Forest Corporation is a leading commercial forest plantation operator in China. Its principal businesses include the ownership and management of tree plantations, the sale of standing timber and wood logs, and the complementary manufacturing of downstream engineered-wood products. Sino-Forest also holds a majority interest in Greenheart Group Limited, a Hong Kong-listed investment holding company (HKSE: 00094) with operations based in Suriname, South America and New Zealand, which is involved in responsible and sustainable log harvesting, lumber processing and sales and marketing of logs and lumber products to China and other countries around the world. Sino-Forest's common shares have been listed on the Toronto Stock Exchange under the symbol TRE since 1995. Learn more at [www.sinoforest.com](http://www.sinoforest.com).

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#### **Forward Looking Statement Disclaimer**

This press release contains forward-looking statements regarding future events. Such forward-looking statements are not guarantees of future performance of the Company and are subject to risks and uncertainties that could cause actual results and company plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties include, but are not limited to: changes in China's and international economies and in currency exchange rates; changes in market supply and demand for the Company's products, including global production capacity and wood product imports into China; changes in China's political and forestry policies; changes in climatic conditions affecting the growth of the Company's trees; risk that the Independent Committee review and examination cannot fully independently determine the veracity of certain public allegations made against the Company, competitive pricing pressures for the Company's products; and changes in wood acquisition and operating costs.