



## **Sino-Forest Releases Final Report of the Independent Committee**

**TORONTO, CANADA – January 31, 2012** - Sino-Forest Corporation (“Sino-Forest” or the “Company”) (TSX:TRE) today announced that it is publicly releasing the Final Report of the Independent Committee of the Company's Board of Directors (the “IC”).

### **Establishment of the Independent Committee**

On June 2, 2011, in response to a report issued by Muddy Waters, LLC (the “MW Report”), the Board of Directors appointed a committee of independent directors to examine the allegations in the MW Report, and report back to the Board of Directors.

### **Prior Reports of the Independent Committee**

On August 11, 2011, the IC delivered its First Interim Report to the Board of Directors. On November 14, 2011 the IC delivered its Second Interim Report to the Board. The findings of the IC, as set out in the two reports, were described in a press release issued by the Company on November 14, 2011. At the same time, redacted versions of the two reports were filed on SEDAR and posted on the Company's web site.

With the delivery of its Second Interim Report to the Board, the IC believed its work was substantially complete, but indicated there remained certain further steps it intended to take as follows: (i) review the information and analysis which it had recently received from Management relating to certain relationship issues; (ii) in cooperation with Management, engage an independent valuator to conduct a valuation process with a scope and parameters acceptable to the IC; (iii) take such other steps as the IC, in its judgment, deemed advisable in the discharge of its mandate; and (iv) submit its final report and recommendations to the Board.

### **Agreement with Noteholders to Disclose Final Report by January 31, 2012**

On January 12, 2012, Sino-Forest announced that holders of a majority in principal amount of its Senior Notes due 2014 and its Senior Notes due 2017 agreed to waive any defaults arising from the Company's failure to release its 2011 third quarter financial results on a timely basis. As disclosed in the Company's January 12, 2012 press release, pursuant to the waiver agreements, the Company agreed that the IC would deliver its final report (the "Final Report") and that such report would be made public by January 31, 2012.

## **Final Report of the Independent Committee**

Although there remain outstanding issues that have not been fully answered, in light of the Company's contractual commitment to its noteholders that the IC deliver its Final Report to the Board by January 31, 2012, and the IC having concluded that that the work of the IC is now at the point of diminishing returns, the IC has delivered its Final Report to the Board. The Board has directed that the Final Report be filed on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.sinoforest.com](http://www.sinoforest.com)).

### **(a) Relationship Issues**

As described in the Final Report, while the IC has reviewed information and analysis received from Management relating to certain relationship issues, including additional information received following the Second Interim Report, for the reasons described in the Final Report the IC is not able to reach definitive conclusions regarding the relationship issues under consideration.

### **(b) Area Verification Test of a Forest Asset Sample**

Subsequent to the release of the Second Interim Report, the IC requested that an independent forestry expert undertake a proof of concept exercise to determine if two compartments in particular purchase contracts could be located and quantified by such party. A "compartment" is a forestry term used to indicate an area of trees, usually contiguous. The Company retained Stewart Murray (Singapore) Pte. Ltd. ("Stewart Murray") and Indufor Asia Pacific Limited ("Indufor") as third-party consultants (collectively, the "Consultants").

The proof of concept exercise was confined to two compartments. The selection criteria limited the sample to purchased timber assets located in Yunnan province. The candidate assets were acquired prior to the allegations in the MW Report. They were listed as being held by British Virgin Island entities and not by Wholly Foreign Owned Enterprise entities.

At the IC's request, the Consultants selected a shortlist of 10 possible compartments meeting the criteria above, avoiding any prospect that the sampling involved personnel from the Company. Multiple county forestry bureaus were represented in the shortlist, and the IC made the final selection of compartments to ensure more than one county forestry bureau was represented.

One of the selected compartments, Compartment 11, was located in Jianchuan County, near the township of Ma-teng, within the jurisdiction of the Jianchuan County Forest Bureau. It had a stated area of 1145 mu (76.3 hectares). The second, Compartment 44, was in Heqing County, near the township of Beiya, within the jurisdiction of the Heqing County Forest Bureau. It had a stated area of 957 mu (63.8 hectares).

Within the proof of concept exercise, the maps of the two compartments were provided by the Company to Indufor, which were borrowed by the contracted survey company from forestry bureaus. These showed the extent of each compartment's boundary that corresponded to those in surveys related to the purchase contracts. The Consultants then geo-referenced and digitized these boundaries, and entered them into a Geographic Information System. The Consultants located and physically inspected the two forest compartments. The inspection procedure included documenting certain qualitative characteristics of each compartment. The Consultants confirmed that the compartments were forested, but did not undertake an assessment of standing timber volume.

The geo-referenced compartment boundaries were superimposed on recent high resolution satellite imagery and this allowed measurement of each compartment's forest cover. This process allowed the removal of areas lacking forest cover from the assessment of compartment net stocked area.

The Consultants compared the net stocked area of forest cover that they assessed for each compartment with that stated in the Sino-Forest purchase contracts and forest survey reports. The Consultants found that the net stocked area of forest cover in each compartment was within six percent of that stated in the relevant purchase contracts and forest survey reports.

	Purchase Contract Area (ha)	Consultants' Assessed Area (ha)	Difference (ha)	Difference (%)
Compartment 11	76.3	80.5	4.2	+5.5%
Compartment 44	63.8	66.5	2.7	+4.2%

The analysis and findings from the area verification test are limited solely to the two compartments that were the subject of the proof of concept exercise. While the Company plans to broaden its area verification to other Sino-Forest forestry assets, as described below, no extrapolation of the findings to Sino-Forest's broader forestry assets is possible or is implied.

**(c) Engagement of Consultants to Verify and Value Company's Forestry Assets**

As a proof of concept study, the area verification exercise was successful subject to the provision of maps meeting certain standards.

This Consultants' engagement will now expand to include a verification and validation process of the key components that underpin forest value. The exercise will involve a highly structured process that will, over time, systematically assess the area of forest cover and merchantable volume across the Sino-Forest estate.

The Company has also engaged Stewart Murray to assist the Company in compiling a full forest description and implementing a forest asset valuation framework. Stewart Murray will work in cooperation with the Company to value its forest assets as at December 31, 2011.

### **Independent Committee to Cease its Investigative Activities**

The Board of Directors has adopted a resolution instructing the IC to cease its investigative, review and oversight activities. Any issues that remain outstanding, as identified in the Final Report or earlier reports of the IC, will be referred to the Audit Committee or Special Restructuring Committee.

### **Class Action Commenced Against Sino-Forest in the United States**

On January 27, 2012, a class action was commenced against Sino-Forest and other defendants in the Supreme Court of the State of New York, U.S.A. The complaint alleges that the action is brought on behalf of persons who purchased Sino-Forest shares on the Over-the-Counter market and on behalf of non-Canadian purchasers of Sino-Forest debt securities. The quantum of damages sought is not specified in the complaint. The Company intends to vigorously defend the action.

### **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 (HKSE:00094), a Hong-Kong listed investment holding company with assets in Suriname (South America) and New Zealand and involved in sustainable harvesting, processing and sales of its logs and lumber to China and other markets 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).

No stock exchange or regulatory authority has approved or disapproved of information contained herein. Certain information included in this news release is forward-looking and is subject to important risks and uncertainties. When used in this news release, the words "believe", "intend", "estimate", "expect", "plan", "consider", "may", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such words. These forward-looking statements are based on current expectations. The results or events predicted in these statements may differ materially from actual results or events and are no guarantees of future performance of Sino-Forest. Factors which could cause results or events to differ from current expectations include, among other things: our ability to cure our default under our notes, actions taken by note holders, other lenders, other creditors, shareholders, regulators, governmental agencies and other stakeholders to enforce their rights, the outcome of examinations currently underway by the Independent Committee, securities regulatory authorities and the Company's auditors, the outcome of class action proceedings initiated against the Company as a result of allegations made in the 'report' issued by Muddy Waters LLC, the accuracy and outcome of the results of tree asset testing undertaken by the Company, our reliance on key employees, our ability to acquire rights to additional standing timber, our ability to meet our expected plantation yields, the cyclical nature

of the forest products industry and price fluctuation in and the demand and supply of logs, our reliance on the relationship with local plantation land owners and/or plantation land use rights holders, authorized intermediaries, key customers, suppliers and third party service providers, our ability to operate our production facilities on a profitable basis, changes in currency exchange rates and interest rates, the evaluation of our provision for income and related taxes, economic, political and social conditions and government policy in China, the Republic of Suriname and New Zealand, and stock market volatility, and other factors not currently viewed as material that could cause actual results to differ materially from those described in the forwarding-looking statements. For additional information with respect to certain of these and other factors, see the reports filed by Sino-Forest Corporation with applicable Canadian securities administrators. Sino-Forest Corporation disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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