

SINO-FOREST CORPORATION

INFORMATION CIRCULAR

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation by the management of Sino-Forest Corporation (the "Corporation") of proxies to be used at the meeting of shareholders of the Corporation referred to in the accompanying notice of meeting to be held at the time and place and for the purposes set forth in such notice of meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Corporation. A shareholder desiring to appoint some other person to attend and act for him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, sending it to the Secretary of the Corporation before the meeting or delivering it to the Chairman of the meeting. A person appointed as a proxyholder need not be a shareholder of the Corporation.

A shareholder who has given a proxy may revoke it by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the meeting on the day of the meeting or any adjournment thereof, or in any other manner permitted by law.

Exercise of Discretion by Proxies

Shares represented by properly executed proxies in favour of the persons designated in the printed portion of the enclosed form of proxy will be voted or withheld from voting in accordance with your instructions contained therein and, in the absence of instructions, will be voted in favour of the matters set out herein.

The enclosed proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting or other matters which may properly come before the meeting. At the time of printing this Information Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting. If matters which are not known at the date hereof should properly come before the meeting, the form of proxy will be voted on such matters in accordance with the best judgment of the person voting it.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

Voting Shares

As at May 1, 1995, the Corporation had 33,500,000 Class A Subordinate-Voting Shares and 6,000,000 Series A Preference Shares issued and outstanding. Each Class A Subordinate-Voting Share carries one vote per share. Each Series A Preference Share is convertible into one Class B Multiple-Voting Share at any time prior to March 31, 1996. If and when issued, each Class B Multiple-Voting Share will carry five votes.

Any holder of Class A Subordinate-Voting Shares registered on the books of the Corporation at the close of business on May 1, 1995 will be entitled to vote the shares registered in his name in person or by proxy, unless such shares are transferred after such date and the new owner establishes that he owns such shares and requests, not later than 48 hours prior to the meeting, the Secretary of the Corporation or The R-M Trust Company to include his name in the list of shareholders entitled to vote at the meeting, in which case the new owner shall be entitled to vote such shares at the meeting.

Take-over Bid Protection

The holders of the Class A Subordinate-Voting Shares are provided with certain rights relating to take-over bids.

The Articles of the Corporation incorporate the terms of an agreement (the "Coastal Agreement") to be entered into among the Corporation, The R-M Trust Company and holders of the Class B Multiple-Voting Shares prior to the issue of such shares. The Coastal Agreement will provide that if a beneficial owner of Class B Multiple-Voting Shares transfers any of such shares to a purchaser who has made an offer for all the outstanding Class B Multiple-Voting Shares and who has not made an identical offer for all or substantially all of the Class A Subordinate-Voting Shares or transfers Class B Multiple-Voting Shares to a purchaser who is not otherwise a permitted transferee under the Coastal Agreement, then all of the Class B Multiple-Voting Shares so transferred shall, after notice is sent by the Trustee to the holders thereof, automatically be converted into Class A Subordinate-Voting Shares. The Coastal Agreement will not restrict the ability of the beneficial holder of Class B Multiple-Voting Shares to convert any of the Class B Multiple-Voting Shares into Class A Subordinate-Voting Shares or, subject to compliance with applicable securities laws, to subsequently transfer such Class A Subordinate-Voting Shares to third parties. A permitted transferee includes a person who at the time of transfer holds Class B Multiple-Voting Shares or a corporation which is wholly-owned, directly or indirectly, by a person who at the time of the transfer holds Class B Multiple-Voting Shares.

The Articles of the Corporation contain a definition of an offer giving rise to the conversion right, provide certain procedures to be followed in order to effect the conversion and provide that, upon any such offer, the Corporation or the transfer agent shall communicate in writing to the holders of Class A Subordinate-Voting Shares the full details as to the offer and the mode of exercise of the conversion right.

Principal Shareholders

To the knowledge of the directors and senior officers of the Corporation, no person or corporation beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to the outstanding securities of the Corporation except as indicated below:

<u>Name of Shareholder</u>	<u>Number of Class A Shares Owned Beneficially or Controlled</u>	<u>Percentage of Voting Rights</u>
ADS Holdings (BVI) Limited ⁽¹⁾	6,075,000 shs	18.13%
Natural Forest Limited ⁽²⁾	6,075,000 shs	18.13%
Forest Investment Partners, Ltd. ⁽³⁾	3,240,000 shs	9.67%

(1) In addition to the above, ADS Holdings (BVI) Limited owns 2,250,000 Series A Preference Shares. This company is owned by three family trusts under which family members and associates of Mr. Tak Yuen Chan and Ms. Wai Ling Chan are beneficiaries. See "Election of Directors".

(2) In addition to the above, Natural Forest Limited owns 2,250,000 Series A Preference Shares. This company is controlled by Mr. Kai Kit Poon. See "Election of Directors".

(3) In addition to the above, Forest Investment Partners, Ltd. owns 1,200,000 Series A Preference Shares.

ELECTION OF DIRECTORS

The persons named in the enclosed form of proxy intend to vote for the election as directors of the five nominees whose names are set forth below. The management does not contemplate that any of the nominees will be unable to serve as a director, but, if that should occur for any reason prior to the meeting, proxies in favour of the persons named in the printed portion of the enclosed form of proxy will be voted for other nominees in their discretion unless shares are to be withheld from voting in the election of the directors. Each director elected will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated.

The following table sets out the name of each person proposed to be nominated for election as a director, all other major positions and offices with the Corporation now held by him, if any, his present principal occupation or employment, the period or periods of service as a director of the Corporation and the approximate number of Class A Subordinate-Voting Shares beneficially owned by him, or over which control or direction is exercised by him:

<u>Name and Principal Occupation</u>	<u>Director Since</u>	<u>Number of Class A Shares Owned Beneficially or Controlled</u>
TAK YUEN CHAN ⁽¹⁾ Chairman and Chief Executive Officer of the Corporation	1994	6,075,000 ⁽²⁾
KAI KIT POON President of the Corporation	1994	6,075,000 ⁽³⁾
JOHN THOMPSON ⁽¹⁾ a principal of Gomitzki, Thompson & Little, a merchant banking group	1994	523,102
EDMUND MAK real estate marketing	1994	nil
JAMES FRANCIS O'DONNELL ⁽¹⁾ President of O'Donnell Capital Corp. and Chairman of O'Donnell Management (fund manager)	1994	80,000

(1) Members of audit committee

(2) These shares are beneficially owned by ADS Holdings (BVI) Limited. See "Principal Shareholders".

(3) These shares are beneficially owned by Natural Forest Limited. See "Principal Shareholders".

APPOINTMENT OF AUDITORS

The auditors of the Corporation are Messrs. Ernst & Young, Chartered Accountants, Toronto.

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Ernst & Young as auditors of the Corporation to hold office until the next annual meeting of shareholders at a remuneration to be determined by the directors of the Corporation.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the financial year ended December 31, 1994 by the Corporation's Chief Executive Officer:

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options Granted (\$)	Restricted Shares or Restricted Share Units (\$)	Long Term Incentive Plan Payouts (\$)	
Tak Yuen Chan, Chairman and Chief Executive Officer	1994	nil	nil	nil	nil	nil	nil	nil

Pursuant to a corporate services agreement (the "Corporate Services Agreement") dated March 28, 1994 between A D Sinensis & Associates Limited ("ADS") and Sino-Wood Partners, Limited ("Sino-Wood"), a wholly-owned subsidiary of the Corporation, ADS provided to Sino-Wood office space in Hong Kong and certain corporate services for a monthly fixed fee of HK\$250,000 (approximately US\$32,000) from April 1 to December 31, 1994, at which time the Corporate Services Agreement terminated. During the financial year ended December 31, 1994, none of the executive officers of the Corporation received cash compensation from the Corporation or Sino-Wood as their services were being provided to the Corporation pursuant to the terms of the Corporate Services Agreement. During the financial year ended December 31, 1994, a total of HK\$2,250,000 (approximately US\$291,000) was paid to ADS under the Corporate Services Agreement. Mr. Tak Yuen Chan, a director and officer of the Corporation, and Ms. Wai Ling Chan, a director and officer of Sino-Wood, are directors of ADS.

Compensation of Directors

During the financial year ended December 31, 1994, no cash compensation was paid to the directors of the Corporation. On March 21, 1994, the Corporation granted each of Edmund Mak and James Francis O'Donnell, directors of the Corporation, an option to purchase 100,000 Class A Subordinate-Voting Shares at an option price of Cdn\$0.55 per share under the Stock Option Plan of the Corporation. These options may be exercised on a cumulative basis as to 20% per year and expire on March 21, 1999. See "Special Business - Stock Option Plan".

Related Party Transactions

During 1994, a total of US\$279,000 was paid to two companies associated with John Thompson, a director and officer of the Corporation, with respect to fees earned in connection with the private placement of shares of the Corporation.

Also, during 1994, a company associated with John Thompson provided investor relations and related consulting services to the Corporation at a cost of US\$35,000 to the Corporation.

In addition to the Corporate Services Agreement referred to under "Executive Compensation - Summary Compensation Table", Sino-Wood purchased capital assets from ADS at a total acquisition cost of approximately US\$65,000 and paid ADS US\$75,000 with respect to services rendered, including reimbursement of expenses in connection with the acquisition of six indirectly owned subsidiaries located in the People's Republic of China. Mr. Tak Yuen Chan, a director of the Corporation, and Ms. Wai Ling Chan, a director and officer of Sino-Wood, are directors of ADS.

SPECIAL BUSINESS

Share Consolidation

The shareholders of the Corporation will be asked to consider and, if thought fit, to pass, with or without variation, a special resolution, in the form attached as Schedule A to this Information Circular, amending the Articles of the Corporation to:

- (a) consolidate each five issued and outstanding Class A Subordinate-Voting Shares into one new Class A Subordinate-Voting Share and each five issued and outstanding Series A Preference Shares into one new Series A Preference Share; and
- (b) reduce the number of authorized Class B Multiple-Voting Shares in the capital of the Corporation from 6,000,000 shares to 1,200,000 shares by cancelling 4,800,000 unissued Class B Multiple-Voting Shares.

In order to be effective, the special resolution must be approved by the affirmative vote of not less than two-thirds of the votes cast by the shareholders at the meeting.

Upon giving effect to the special resolution, the authorized capital of the Corporation will consist of (i) an unlimited number of Class A Subordinate-Voting Shares, (ii) 1,200,000 Class B Multiple-Voting Shares, and (iii) an unlimited number of Preference Shares issuable in series, of which the first series will consist of 1,200,000 Series A Preference Shares.

The Board of Directors of the Corporation has determined that it would be in the best interest of the Corporation and its shareholders to restructure its authorized and issued share capital as provided in the Special Resolution. The issued capital of the Corporation presently consists of 33,500,000 Class A Subordinate-Voting Shares and 6,000,000 Series A Preference Shares. If the Special Resolution is passed, the number of issued shares would be reduced to 6,700,000 Class A Subordinate-Voting Shares and 1,200,000 Series A Preference Shares. Also, the number of Class A Subordinate-Voting Shares issuable upon exercise of outstanding stock options and share purchase warrants will be reduced to give effect to the consolidation of shares.

The Corporation wishes to raise additional equity funding. See "Issue of Class A Subordinate-Voting Shares" below. The Board of Directors believes that the large number of issued and outstanding Class A Subordinate-Voting Shares of the Corporation may hinder the Corporation in raising additional equity capital and that the consolidation of shares provided for in the Special Resolution should facilitate future equity financings by the Corporation.

Upon filing Articles of Amendment and the endorsement by the Director under the *Business Corporations Act* (Ontario) (the "OBCA") of a certificate of amendment in connection therewith, each five existing Class A Subordinate-Voting Shares and each five existing Series A Preference Shares will automatically be consolidated into one new Class A Subordinate-Voting Share and one new Series A Preference Share, respectively. Each registered holder of Class A Subordinate-Voting Shares or Series A Preference Shares will receive notice thereof from the Corporation, together with a letter of transmittal which may be completed and returned with the certificates representing such holder's existing Class A Subordinate-Voting Shares and/or Series A Preference Shares to The R-M Trust Company, which will act as depositary for such purpose (the "Depository"). Upon receipt of such share certificates, the Depository will mail to the shareholders certificates representing the new shares to which such shareholders are entitled as evidenced by the old share certificates tendered.

No share certificates or script certificates representing fractional shares will be issued. Shareholders entitled to a fraction of a share will be entitled to receive a whole share of the class affected.

Amendment to Provisions Attaching to Class B Multiple-Voting Shares

Section 6(g) of the Articles of the Corporation incorporates the terms of an agreement (the "Coattail Agreement") to be entered into among the Corporation, The R-M Trust Company and holders of the Class B Multiple-Voting Shares prior to the issue of such shares. See "Take-Over Bid Protection".

Subsection 6(g)9 presently provides, and as a result the Coattail Agreement will provide, that in the event a holder of Class B Multiple-Voting Shares (or in the case in which such shareholder is a corporation, the beneficial owner of such corporation) should cease, for any reason whatsoever, to be a director or officer of the Corporation for a period of 12 consecutive months, then all Class B Multiple-Voting Shares beneficially owned, directly or indirectly, by the Class B Multiple-Voting Shareholder shall be automatically converted into Class A Subordinate-Voting Shares of the Corporation effective upon the end of the 12-month period without the requirement of any action on the part of the Corporation, the holder or the transfer agent.

The shareholders of the Corporation will be asked to consider and, if thought fit, to pass, with or without variation, a special resolution in the form attached as Schedule B to this Information Circular, amending the Articles of the Corporation to provide that, for the purposes of subsection 6(g)9 referred to above, a corporation will be deemed to be beneficially owned by a director or officer of the Corporation if voting securities of such corporation carrying more than 50% of the votes for the election of directors of such corporation are held directly or indirectly by or for the benefit of one or more of (i) a director or officer of the Corporation or (ii) the spouse or children of a director or officer of the Corporation.

The purpose of subsection 6(g)9 of the Articles was to ensure that Class B Multiple-Voting Shares, when issued, are beneficially owned by directors or officers of the Corporation. The Board of Directors has determined that subsection 6(g)9, as presently worded, is unduly restrictive and that a corporation controlled, directly or indirectly, through the beneficial ownership of voting securities carrying more than 50% of the votes for the election of directors of such corporation by one or more of (i) a director or officer of the Corporation and (ii) the spouse or children of a director or officer of the Corporation should be entitled to hold Class B Multiple-Voting Shares without triggering the automatic conversion provisions set out therein.

ADS Holdings (BVI) Limited is a corporation that owns 2,250,000 Series A Preference Shares, each of which is convertible into one Class B Multiple-Voting Share. As indicated under "Principal Holders", shares of ADS Holdings (BVI) Limited are owned by three family trusts under which family members and associates of Mr. Tak Yuen Chan, a director and officer of the Corporation, and Ms. Wai Ling Chan, a director and officer of a wholly-owned subsidiary of the Corporation, Sino-Wood, are beneficiaries. Unless the amendment is passed, either the share ownership of ADS Holdings (BVI) Limited would have to be restructured so that it would be owned by a director or officer of the Corporation or, alternatively, the Class B Multiple-Voting Shares to be issued to ADS Holdings (BVI) Limited would automatically be converted into Class A Subordinate-Voting Shares 12 months after their issuance.

The Board of Directors unanimously recommends that shareholders approve the special resolution, in the form attached to this Information Circular as Schedule B, amending the provisions attaching to the Class B Multiple-Voting Shares of the Corporation.

See "Rights of Dissenting Shareholders" for a description of the right of shareholders to dissent with respect to this special resolution and to payment of the fair value of their shares in accordance with section 185 of the OBCA.

Issue of Class A Subordinate-Voting Shares

The shareholders of the Corporation will be asked to consider and, if thought fit, to pass, with or without variation, a resolution, in the form attached as Schedule C to this Information Circular, authorizing the issuance of up to an additional 35,000,000 Class A Subordinate-Voting Shares (7,000,000 new shares after the proposed consolidation of shares as described above under "Share Consolidation"). The additional Class A Subordinate-Voting Shares may be issued in one or more private placements to such investors as the Board of Directors may from time to time determine during the period from the date of the meeting to the next annual meeting of shareholders. In order to be effective, the resolution must be approved by the affirmative vote of at least a majority of the votes cast on it at the meeting.

The issue price of any additional Class A Subordinate-Voting Shares issued under any private placement will be determined in accordance with the rules of The Alberta Stock Exchange and any private placement will be subject to the approval of that exchange. As a condition of their approval, The Alberta Stock Exchange may require the approval of the shareholders of the share issuance where, during the six month period, the aggregate number of shares issued exceeds 25% of the number of outstanding shares as at the time of financing. There are presently 33,500,000 Class A Subordinate-Voting Shares and 6,000,000 Series A Preference Shares issued and outstanding. If all of the additional 35,000,000 Class A Subordinate-Voting Shares authorized by the resolution were to be issued, the number of Class A Subordinate-Voting Shares would be increased by approximately 51.09%. This percentage does not take into account any possible issuance of Class A Subordinate-Voting Shares from the exercise of outstanding options issued under the Stock Option Plan of the Corporation or the exercise of outstanding share purchase warrants.

It is important to the Corporation that all necessary approvals, including shareholders' approval, if necessary, be obtained. The Board of Directors believes that it would be in the best interest of the Corporation that the shareholders grant a general authority to the Board of Directors to issue up to a maximum of 35,000,000 Class A Subordinate-Voting Shares by way of private placement for the period commencing the date of this meeting and expiring the date of the annual meeting of shareholders to be held in 1996.

Through Sino-Wood, the Corporation owns interests varying between 53% and 55% in six Chinese foreign equity joint ventures (the "Joint Ventures") in Guangdong and Jiangxi Provinces in the People's Republic of China. Pursuant to the joint venture agreements (the "Joint Venture Agreements") relating to the Joint Ventures, Sino-Wood agreed to contribute to the Joint Ventures a total of US\$22,240,000, of which US\$3,895,000 was made in March, 1994 and the balance of US\$18,345,000 must be made before the end of January, 1996. The Board of Directors believes that the Corporation should raise additional equity funding of approximately US\$10,000,000 (approximately Cdn\$13,700,000) in order to contribute to the financing of the obligations of Sino-Wood under the Joint Venture Agreements and to provide additional working capital for the Corporation's expansion of its forestry plantation business in south China in the current year.

The Corporation is presently discussing with certain parties possible private placements of additional Class A Subordinate-Voting Shares. No agreement has been reached with respect to any private placements of shares and no assurances can be given that the Corporation will enter into agreements for the private placements of shares.

Stock Option Plan

The shareholders of the Corporation will be asked to consider and, if thought fit, to pass with or without variation, a resolution, in the form attached as Schedule D to this Information Circular, approving the stock option plan (the "Stock Option Plan") approved by the Board of Directors of the Corporation on March 21, 1994 and the issue of the stock options granted thereunder as described below.

The Stock Option Plan permits the awarding of options to purchase Class A Subordinate-Voting Shares of the Corporation. As at the date hereof, the Corporation had granted options outstanding to purchase an aggregate of 950,000 Class A Subordinate-Voting Shares, being options to purchase 200,000 shares at Cdn\$0.55 per share granted to two directors of the Corporation on March 21, 1994 and options to purchase 750,000 shares at Cdn\$0.60 per share granted to three officers of Sino-Wood, a wholly-owned subsidiary of the Corporation, on November 4, 1994. The Alberta Stock Exchange requires that shareholders' approval be obtained by the Corporation with respect to the Stock Option Plan and options previously granted thereunder.

Under the Stock Option Plan, employees and insiders of the Corporation or its subsidiaries or any other person or company engaged to provide ongoing management or consulting services for the Corporation or for any entity controlled by the Corporation may be granted options to acquire Class A Subordinate-Voting Shares of the Corporation at a price which is equal to the closing market price of Class A Subordinate-Voting Shares on the day prior to the date of grant of the option or if there is no trading of the Class A Subordinate-Voting Shares on the date of the grant then a weighted average trading price for the five days prior to the date of the grant. Under the Stock Option Plan, options granted to employees of the Corporation will be cancelled upon the termination of the participant's employment for cause or upon the resignation of the participant. In the event of the death of a participant, all options held by such participant will be cancelled 12 months after the participant's death. In the event that a participant's employment is terminated by the Corporation by reason of the participant's disability, retirement or early retirement, all options held by such participant will be cancelled three months after termination of the participant's employment.

Under the terms of the Stock Option Plan, the maximum number of Class A Subordinate-Voting Shares which may be issued under options granted pursuant to the Stock Option Plan is 3,200,000 (640,000 shares after giving effect to the proposed consolidation of shares described under "Special Business - Share Consolidation"), provided that:

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

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

Rights of Dissenting Shareholders

Any holder of Class A Subordinate-Voting Shares of the Corporation is entitled to be paid the fair value of such shares in accordance with section 185 of the OBCA if the shareholder dissents to the special resolution (the "Resolution") approving the amendment of Articles of the Corporation described under "Amendment to Provisions Attaching to Class B Multiple-Voting Shares". A holder of Class A Subordinate-Voting Shares is not entitled to object with respect to his shares if he votes any of such shares in favour of the Resolution.

The following is a brief summary of section 185 of the OBCA, the full text of which is attached as Schedule E to this Information Circular. A dissenting shareholder is required to send a written objection to the Resolution to the Corporation at or prior to this meeting. A vote against the Resolution or an abstention does not constitute a written objection. Within 10 days after the Resolution is adopted by the shareholders, the Corporation must so notify the dissenting shareholder who is then required, within 20 days after receipt of such notice (or if he does not receive such notice within 20 days after he learns of the adoption of the Resolution), to send to the Corporation a written notice containing his name and address, the number of Class A Subordinate-Voting Shares in respect of which he dissents and a demand for payment of the fair value of such shares and, within 30 days after sending such written notice, to send to the Corporation the appropriate share certificate or certificates. If the amendment to the Articles of the Corporation contemplated in the Resolution becomes effective, the Corporation is required to determine the fair value of the shares and to make a written offer to pay such amount to the dissenting shareholder. If such offer is not made or not accepted, within 30 days either party may apply to the court to fix the fair value of the Class A Subordinate-Voting Shares. There is no obligation on the Corporation to apply to the court. If an application is made by either party, the dissenting shareholder will be entitled to be paid the amount fixed by the court which may be greater or less than the value of the Class A Subordinate-Voting Shares prior to implementation of the Resolution.

All notices to the Corporation pursuant to section 185 of the OBCA should be addressed to the registered office of the Corporation, Suite 2004, P.O. Box 86, 200 King Street West, Toronto, Ontario, M5H 3T4, to the attention of the Secretary.

The foregoing summary does not purport to provide comprehensive statements of the procedures to be followed by a dissenting shareholder who seeks payment of the fair value of his shares. Section 185 of the OBCA requires strict adherence to the procedures established therein and failure to do so may result in the loss of all dissenters' rights. Accordingly, each shareholder who might desire to exercise the dissenter's rights should carefully consider and comply with the provisions of section 185, the full text of which is set out in Schedule E to this Information Circular, and consult his legal adviser.

General

The management of the Corporation knows of no matter to come before the meeting other than the matters referred to in the notice of meeting. The contents and the sending of this Information Circular have been approved by the Board of Directors of the Corporation.



John Thompson
Secretary

Toronto, Ontario
May 15, 1995

SCHEDULE A

SPECIAL RESOLUTION RESPECTING SHARE CONSOLIDATION

RESOLVED, as a special resolution, that the articles of the Corporation are hereby amended:

1. to consolidate the issued and outstanding Class A Subordinate-Voting Shares and Series A Preference Shares in the capital of the Corporation by changing:
 - each five issued and outstanding Class A Subordinate-Voting Shares into one Class A Subordinate-Voting Share; and
 - each five issued and outstanding Series A Preference Shares into one Series A Preference Share,

provided that the holders of Class A Subordinate-Voting Shares and Series A Preference Shares on the date that articles of amendment are filed in giving effect to such consolidation shall not be entitled to receive any fractional Class A Subordinate-Voting Share or Series A Preference Share, as the case may be, but in lieu of any fractional share shall be entitled to receive one whole share of the class or series affected;
2. to reduce the number of authorized Class B Multiple-Voting Shares from 6,000,000 shares to 1,200,000 shares by cancelling 4,800,000 unissued Class B Multiple-Voting Shares so that, upon giving effect to this special resolution, the authorized capital of the Corporation shall consist of the following:
 - an unlimited number of Class A Subordinate-Voting Shares;
 - 1,200,000 Class B Multiple-Voting Shares; and
 - an unlimited number of Preference Shares issuable in series, of which the first series consists of 1,200,000 Series A Preference Shares; and
3. the directors and officers of the Corporation and each of them are hereby authorized and directed to take such steps and execute such documents as they, in their discretion, consider necessary or desirable to give effect to the foregoing.

SCHEDULE B

SPECIAL RESOLUTION AMENDING PROVISIONS ATTACHING TO CLASS B MULTIPLE-VOTING SHARES

RESOLVED, as a special resolution, that article 8 of the articles of the Corporation is hereby amended:

1. to add the following at the end of subsection 6(g)9 thereof:

"For the purposes of this subsection 6(g)9, a corporation will be deemed to be beneficially owned by a director or officer of the Corporation if voting securities of such first mentioned corporation carrying more than 50% of the votes for the election of directors are held directly or indirectly by or for the benefit of one or more of (i) a director or officer of the Corporation or (ii) the spouse or children of a director or officer of the Corporation."
2. the directors and officers of the Corporation and each of them are hereby authorized and directed to take such steps and execute such documents as they, in their discretion consider necessary or desirable to give effect to the foregoing.

SCHEDULE C

RESOLUTION RESPECTING ISSUE OF ADDITIONAL CLASS A SUBORDINATE-VOTING SHARES

RESOLVED, as a resolution of the Corporation, that:

1. the Board of Directors of the Corporation is hereby authorized to issue a maximum of 35,000,000 Class A Subordinate-Voting Shares (7,000,000 new shares after giving effect to the proposed consolidation of Class A Subordinate-Voting Shares on the basis of one new share for each five shares existing at the time of the consolidation) in the capital of the Corporation on a private placement basis during the period from the date of this meeting to the next annual meeting of shareholders of the Corporation at prices determined in accordance with the rules and policies of The Alberta Stock Exchange, to such investors as the Board of Directors may from time to time determine; and
2. the directors and officers of the Corporation and each of them are hereby authorized and directed to take such steps and execute such documents as they, in their discretion, consider necessary or desirable to give effect to the foregoing.

SCHEDULE D

RESOLUTION AUTHORIZING STOCK OPTION PLAN

RESOLVED as a resolution of the shareholders that the Stock Option Plan adopted by the Board of Directors of the Corporation on March 21, 1984 and the granting of stock options to date pursuant thereto, all as described under the heading "Stock Option Plan" in the Information Circular to which this Schedule is attached, is hereby approved.

SCHEDULE E

DISSENT PROVISIONS

SECTION 185 OF THE BUSINESS CORPORATIONS ACT (ONTARIO)

185. (1) **Rights of dissenting shareholders.** Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,
- (a) amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
 - (b) amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
 - (c) amalgamate with another corporation under sections 175 and 176;
 - (d) be continued under the laws of another jurisdiction under section 181; or
 - (e) sell, lease or exchange all or substantially all its property under subsection 184(3).

a holder of shares of any class or series entitled to vote on the resolution may dissent.

(2) **Idem.** If a corporation resolves to amend its articles in a manner referred to in subsection 170(1), a holder of shares of any class or series entitled to vote on the amendment under section 166 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170(a), (b) or (c) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- (b) subsection 170(5) or (6).

(3) **Exception.** A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,

- (a) amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
- (b) deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986.

(4) **Shareholder's right to be paid fair value.** In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the date before the resolution was adopted.

(5) **No partial dissent.** A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(6) **Objection.** A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent.

(7) **Idem.** The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6).

(8) **Notice of adoption of resolution.** The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection.

(9) **Idem.** A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights.

(10) **Demand for payment of fair value.** A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

(11) **Certificates to be sent in.** Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

(12) **Idem.** A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section.

(13) **Endorsement of certificate.** A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder.

(14) **Rights of dissenting shareholder.** On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

- (a) the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);
- (b) the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or
- (c) the directors revoke a resolution to amend the articles under subsection 160(3), terminate an amalgamation agreement under subsection 178(5) or an application for continuance under subsection 181(5), or abandon a sale, lease or exchange under subsection 184(8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10), and the dissenting shareholder is entitled, upon presentation and surrender to the corporation or its transfer agent of any certificate representing the shares that has been endorsed in accordance with subsection (13), to be issued a new certificate representing the same number of shares as the certificate so presented, without payment of any fee.

(15) **Offer to pay.** A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- (a) a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

(16) **Idem.** Every offer made under subsection (15) for shares of the same class or series shall be on the same terms.

(17) **Idem.** Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

(18) **Application to court to fix fair value.** Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, with fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder.

(19) **Idem.** If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow.

(20) **Idem.** A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19).

(21) **Costs.** If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders.

(22) **Notice to Shareholders.** Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

- (a) has sent to the corporation the notice referred to in subsection (10); and
- (b) has not accepted an offer made by the corporation under subsection (15), if such an offer was made.

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions.

(23) **Parties joined.** All dissenting shareholders who satisfy the conditions set out in clauses (22)(a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application.

(24) **Idem.** Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders.

(25) **Appraisers.** The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

(26) **Final order.** The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22)(a) and (b).

(27) **Interest.** The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

(28) **Where corporation unable to pay.** Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(29) **Idem.** Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

- (a) withdrawn a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(30) **Idem.** A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

- (a) the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

(31) **Court order.** Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance with such terms and conditions as the court thinks fit and notice of any such application and a copy of any order made by the court upon such application shall be served upon the Director and, if the corporation is an offering corporation, upon the Commission.

(32) **Director may appear.** The Director and, in the case of an offering corporation, the Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31).

SINO-FOREST CORPORATION

Notice of Annual and Special Meeting of Shareholders June 21, 1995

Notice is hereby given that the Annual and Special Meeting of the shareholders of Sino-Forest Corporation (the "Corporation") will be held at Council Chamber of The Board of Trade of Metropolitan Toronto, 3 First Canadian Place, Toronto, Ontario, Canada on Wednesday, June 21, 1995 at 4:00 o'clock in the afternoon (Toronto time) for the following purposes:

- (a) to receive the annual report which contains the consolidated financial statements for the year ended December 31, 1994 and the auditors' report thereon;
- (b) to elect directors;
- (c) to appoint auditors for the ensuing year and to authorize the directors to fix their remuneration;
- (d) to consider and, if thought advisable, to pass a special resolution (the text of which is set out in Schedule A to the accompanying Information Circular) amending the Articles of the Corporation to consolidate the outstanding Class A Subordinate-Voting Shares and Series A Preference Shares on the basis of one new share for each five existing shares;
- (e) to consider and, if thought advisable, to pass a special resolution (the text of which is set out in Schedule B to the accompanying Information Circular) amending the Articles of the Corporation relating to the provisions attaching to the Class B Multiple-Voting Shares;
- (f) to consider and, if thought advisable, pass a resolution (the text of which is set out in Schedule C to the accompanying Information Circular) approving the issue of additional Class A Subordinate-Voting Shares;
- (g) to consider and, if thought advisable, pass a resolution (the text of which is set out in Schedule D to the accompanying Information Circular) authorizing the Stock Option Plan of the Corporation and the issue of stock options granted thereunder; and
- (h) transacting such other business as may properly come before the meeting or any adjournment thereof.

The full text of the resolutions are included as schedules to the Information Circular which accompanies this notice.

Shareholders who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and return it, in the envelope provided. To be effective, proxies must be received not less than 48 hours preceding the time of the meeting by The R-M Trust Company, 383 University Avenue, 5th Floor, Toronto, Ontario, M5G 2W9.

DATED the 15th day of May, 1995.

By Order of the Board



John Thompson
Secretary

SINO-FOREST CORPORATION

PROXY

**SOLICITED BY THE MANAGEMENT OF THE CORPORATION
for the 1995 Annual and Special Meeting of Shareholders**

The undersigned shareholder of Sino-Forest Corporation hereby appoints Tak Yuen Chen or failing him, John Thompson or instead of either of them _____ as proxy, with power of substitution to attend, vote and otherwise act for the undersigned at the Annual and Special Meeting of shareholders of the Corporation to be held on June 21, 1995 and at any adjournment thereof as follows:

- (a) VOTE ☐ or
WITHHOLD FROM VOTING ☐
(or, if not specified, VOTE) for the election of the persons nominated as directors listed in the Information Circular;
- (b) VOTE ☐ or
WITHHOLD FROM VOTING ☐
(or, if not specified, VOTE) for the appointment of Ernst & Young, Chartered Accountants, as auditors of the Corporation;
- (c) VOTE FOR ☐ or
AGAINST ☐
(or, if not specified, VOTE FOR) the special resolution approving the consolidation of the outstanding Class A Subordinate-Voting Shares and Series A Preference Shares;
- (d) VOTE FOR ☐ or
AGAINST ☐
(or, if not specified, VOTE FOR) the special resolution approving an amendment to the Articles of the Corporation relating to the provisions attaching to the Class B Multiple-Voting Shares of the Corporation;
- (e) VOTE FOR ☐ or
AGAINST ☐
(or, if not specified, VOTE FOR) the resolution approving the issue of additional Class A Subordinate-Voting Shares; and
- (f) VOTE FOR ☐ or
AGAINST ☐
(or, if not specified, VOTE FOR) the resolution authorizing the Stock Option Plan;

and in their discretion to vote on amendments or variations to matter identified in the notice of meeting or such other matters as may properly come before the meeting including any adjournment thereof.

The undersigned hereby revokes any proxy previously given in respect of the meeting.

Each shareholder has the right to appoint a person (who need not be a shareholder of the Corporation) other than the persons specified above to attend and act on his or her behalf at the meeting. Such right may be exercised by inserting the name of the person to be appointed in the space provided, or by completing another proper form of proxy and, in either case, sending the form to the Secretary of the Corporation to be received by 5:00 p.m. (Toronto time) on the last business day preceding the meeting or any adjournment thereof or to the Secretary of the Corporation or the Chairman at the meeting.

DATED the _____ day of _____, 1995.

(Signature of Shareholder)

(An undated proxy is deemed to bear the date it was mailed by the Corporation. A proxy must be executed by the shareholder or his or her attorney authorized in writing.)

