

SINO-FOREST CORPORATION

Notice of Annual and Special Meeting of Shareholders June 26, 1996

Notice is hereby given that an Annual and Special Meeting of the shareholders of Sino-Forest Corporation (the "Corporation") will be held in Sir John A. MacDonald Room of The Albany Club, 81 King Street East, Toronto, Ontario, Canada on Wednesday, June 26, 1996 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, 1995 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 fit, to pass a resolution authorizing and approving an amendment to the Stock Option Plan of the Corporation to increase the number of Class A Subordinate-Voting Shares reserved for issuance thereunder; and
- (e) transacting such other business as may properly come before the meeting or any adjournment thereof.

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, 393 University Avenue, 5th Floor, Toronto, Ontario, M5G 2W9.

DATED the 14th day of May, 1996.

By Order of the Board



John Thompson
Secretary

SINO-FOREST CORPORATION

PROXY

ALBERTA SECURITIES
COMMISSION

FILE NO.

616704

DOC. TYPE

SOLICITED BY THE MANAGEMENT OF THE CORPORATION
for the 1996 Annual and Special Meeting of Shareholders

MAY 30 1996

AMENDMENT ☒ CORRESPONDENCE ☒
CARRY FORWARD ☒ FINANCIAL ☒
REVIEW ☒

The undersigned shareholder of Sino-Forest Corporation hereby appoints Allen T. Y. Chan or instead of either of them, John Thompson or instead of either of them, 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 26, 1996 and at any adjournment thereof as follows:

- (a) VOTE FOR ☐ or
WITHHOLD FROM VOTING FOR ☐
(or, if not specified, VOTE FOR) the election of the persons nominated as directors listed in the Information Circular;
- (b) VOTE FOR ☐ or
WITHHOLD FROM VOTING FOR ☐
(or, if not specified, VOTE FOR) the appointment of Ernst & Young, Chartered Accountants, as auditors of the Corporation;
- (b) VOTE FOR ☐ or
VOTE AGAINST ☐
(or, if not specified, VOTE FOR) the resolution approving the amendment to the Stock Option Plan of the Corporation;

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 _____, 1996.

(Signature of Shareholder)

(An updated 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.)

SINO-FOREST CORPORATION
INFORMATION CIRCULAR

ALBERTA SECURITIES
COMMISSION
FILE NO. 516704
DOC. TYPE: _____
MAY 30 1996

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, 1996, the Corporation had 35,500,000 Class A Subordinate-Voting Shares and 6,000,000 Class B Multiple-Voting Shares issued and outstanding. The Class A Subordinate-Voting Shares carry one vote per share and the Class B Multiple-Voting Shares carry five votes per share.

Any holder of Class A Subordinate-Voting Shares and Class B Multiple-Voting Shares registered on the books of the Corporation at the close of business on May 14, 1996 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 and an agreement (the "Coattail Agreement") entered into among the Corporation, The R-M Trust Company and holders of the Class B Multiple-Voting Shares 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 Coattail 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. There are no restrictions on 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 and the Coattail Agreement 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:

Name of Shareholder	Number of Shares Owned Beneficially or Controlled		Percentage of Voting Rights
	Class A Shares	Class B Shares	
ADS Holdings (BVI) Limited ("ADS") ⁽¹⁾	5,915,000 shs	nil	9.03%
Natural Forest Limited ("NFL") ⁽²⁾	5,915,000 shs	2,250,000 shs	26.21%
Forest Investment Partners, Ltd. ("FIP") ⁽³⁾	2,777,010 shs	3,750,000 shs	32.86%

(1) ADS is owned by three family trusts under which family members and associates of Mr. Allen T. Y. Chan and Ms. Leslie Chan are beneficiaries. See "Election of Directors".

(2) NFL is controlled by Mr. Kai Kit Poon. See "Election of Directors".

(3) FIP is controlled by Ms. Leslie Chan, a senior officer of Sino-Wood Partners, Limited, a wholly-owned subsidiary of the Corporation.

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:

Name and Principal Occupation	Director Since	Number of Shares Owned Beneficially or Controlled	
		Class A Shares	Class B Shares
ALLEN T. Y. CHAN ⁽¹⁾ Chairman and Chief Executive Officer of the Corporation	1994	5,915,000 shs ⁽²⁾	nil
KAI KIT POON President of the Corporation	1994	5,915,000 shs ⁽²⁾	2,250,000 shs
JOHN THOMPSON ⁽¹⁾ A principal of Gornitzki, Thompson & Little, a merchant banking group	1994	523,102 shs	nil
EDMUND MAK Real estate marketing	1994	nil	nil
JAMES FRANCIS O'DONNELL ⁽¹⁾ President of O'Donnell Capital Corp. and Chairman of O'Donnell Management (fund manager)	1994	80,000	nil

(1) Members of audit committee.

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

(3) These shares are beneficially owned by NFL. See "Principal Shareholders".

A Voting Trust Agreement dated January 15, 1996 was entered into among ADS, NFL, FIP and Deutsche Bank AG, Hong Kong Branch ("DB") in connection with a US\$3,000,000 convertible loan (the "Loan") made by DB to a wholly-owned subsidiary of the Corporation. Pursuant to this agreement, ADS, NFL and FIP agreed to vote any Class A Subordinate-Voting Shares and Class B Multiple-Voting Shares owned by them for the election to the board of directors of the Corporation a person designated by DB until the day the Loan is repaid. In the event that the full amount of the Loan is converted into Class A Subordinate-Voting Shares, this obligation will continue until the earlier of December 31 in the second year after the year in which the final amount of the Loan is so converted and the date DB ceases to hold any shares acquired pursuant to the conversion of the Loan. DB has advised the Corporation that it does not wish to appoint a nominee to the board of directors of the Corporation at this Meeting.

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 AND RELATED PARTY MATTERS

Summary Compensation Table

The following table sets forth information concerning the compensation earned during the financial years ended December 31, 1995 and 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 (\$)	
Allen T. Y. Chan, Chairman and Chief Executive Officer	1995	US\$64,000	nil	nil	nil	nil	nil	nil
	1994	nil	nil	nil	nil	nil	nil	nil

Compensation of Directors

During the financial year ended December 31, 1995, no cash compensation was paid to the directors of the Corporation.

Related Party Transactions

During 1995, a total of US\$23,000 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 1995, a company associated with John Thompson provided investor relations and related consulting services to the Corporation at a cost of US\$44,000 to the Corporation.

A D Sinensis & Associates Limited ("Sinensis") provides Sino-Wood Partners, Limited ("Sino-Wood"), a wholly-owned subsidiary of the Corporation, with office facilities in Hong Kong and certain corporate services. During the financial year ended December 31, 1995, approximately US\$487,000 was paid to Sinensis for these services. Mr. Allen T. Y. Chan, a director and officer of the Corporation, and Ms. Leslie Chan, a director and officer of Sino-Wood, are directors of Sinensis.

AMENDMENT TO STOCK OPTION PLAN

The Board of Directors of the Corporation approved a stock option plan (the "Stock Option Plan") on March 21, 1994. The Stock Option Plan permits the awarding of options to purchase Class A Subordinate-Voting Shares of the Corporation.

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 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 and Class B Multiple-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 and Class B Multiple-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 Class B Multiple-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 and Class B Multiple-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.

At the Meeting, shareholders will be asked to consider and, if thought fit, pass a resolution approving an amendment to the Stock Option Plan to increase the aggregate number of Class A Subordinate-Voting Shares that may be issued or reserved for issuance under the Plan from 3,200,000 shares to 4,200,000 shares. A copy of the resolution is attached hereto as Schedule A. The Corporation has granted options to purchase 2,350,000 Class A Subordinate-Voting Shares pursuant to the Stock Option Plan. Management is of the opinion that the proposed amendment would be beneficial to the Corporation as it would provide the Corporation with greater flexibility to grant additional options pursuant to the Stock Option Plan and will assist the Corporation in its efforts to continue to attract qualified senior management, directors and other employees. A majority of the votes cast in favour of the resolution is required for its approval.

CORPORATE GOVERNANCE

The Board of Directors is comprised of five directors, the majority of whom (Messrs. John Thompson, Edmund Mak and James O'Donnell) are outside directors, unrelated to management of the Corporation. Mr. Allen T. Y. Chan, Chairman and Chief Executive Officer of the Corporation, and Mr. Kai Kit Poon, President of the Corporation, represent both the management and the principal shareholders of the Corporation. In their capacity as senior officers they report to the Board of Directors.

The Corporation's operating subsidiary, and all of its management, are located in Hong Kong and its operations are in various provinces of China. Because of the distance and time difference, most of the Corporation's Board of Directors meetings are held by telephone with Mr. Chan visiting Canada quarterly and Mr. Thompson travelling to Hong Kong on a similar schedule.

The primary objective of the Corporation is to enhance shareholder value through the profitable and efficient conduct of the business of the Corporation.

The Board of Directors is responsible to the shareholders for the proper management of the Corporation and meetings of the board are held as required to set and monitor the corporate strategy, review operations, reports to shareholders and media releases. All fundamental decisions relating to the management of the Corporation are made by the Board of Directors. Decisions relating to carrying out the

operations of the Corporation are delegated by the Board of Directors to management. The Board of Directors expects management to actively pursue the Corporation's objectives and report regularly to it.

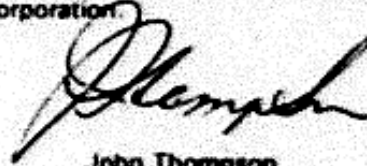
The Board of Directors has an audit committee consisting of Messrs. Chan, Thompson and O'Donnell. A majority of its members are outside directors. The audit committee oversees the Corporation's financial reporting process and internal controls, and consults with management and the Corporation's auditors on matters relating to the annual audit of the Corporation. It reviews and reports to the Board of Directors on internal controls, published financial statements and accounting principles and auditing procedures applied by the Corporation.

The Corporation does not have a nominating committee. When a new director is to be elected or appointed, the Chairman is expected to consult with fellow directors and management for suggestions and, in considering appointments, the Board of Directors is expected to take into account the objectives of the Corporation and the then current composition of the Board of Directors.

In the normal course, shareholders queries and comments should be directed to Mr. Chan or to Mr. Thompson.

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 14, 1996

SCHEDULE "A"

Amendment to Stock Option Plan

RESOLVED THAT:

1. the proposed amendment to the Stock Option Plan (the "Plan") of the Corporation to increase the maximum number of Class A Subordinate-Voting Shares of the Corporation that may be issued or reserved for issuance thereunder from 3,200,000 shares to 4,200,000 shares is hereby authorized and approved; and
2. any one of the directors or officers of the Corporation is hereby authorized to execute and deliver all such documents and to do all such things as, in the opinion of the director or officer, may be necessary or desirable to give effect to this resolution.