

SINO-FOREST CORPORATION
MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular is furnished in connection with the solicitation of proxies by the management of Sino-Forest Corporation (the "Corporation") for use at the Annual and Special Meeting (the "Meeting") of Class A Subordinate-Voting Shareholders and Class B Multiple-Voting Shareholders of the Corporation (collectively, the "Shareholders") to be held at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the "Notice"). The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

The Corporation has distributed or made available for distribution, copies of the Notice, the management information circular and form of proxy to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the "Intermediaries") for distribution to Shareholders (the "Non-registered Shareholders") whose shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Non-registered Shareholders. The solicitation of proxies from Non-registered Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Non-registered Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of these materials.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and directors of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for him and on his behalf at the Meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3 (the "Head Office"), or its transfer agent and registrar, CIBC Mellon Trust Company, 320 Bay Street, 6th Floor, P.O. Box 1, Toronto, Ontario, M5H 4A6 not later than the close of business on Tuesday, June 16, 1998 or any adjournment thereof at which the proxy is to be used, or delivering it to the chairman of the Meeting or any adjournment thereof prior to the time of voting. A proxy must be executed by the registered Shareholder or his attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized. The execution or exercise of a proxy does not constitute written objections for the purposes of section 185(6) of the *Business Corporations Act* (Ontario).

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

- (a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder's attorney duly authorized in writing or, if the Shareholder is a corporation, under its

corporate seal, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing;

- (i) at the registered office, 90 Burnhamthorpe Road West, Suite 1208, Mississauga, Ontario, L5B 3C3, at any time up to and including the last business day preceding the day of the Meeting, Tuesday, June 16, 1998, or any adjournment thereof, at which the proxy is to be used; or
- (ii) with the chairman of the Meeting on the day of the Meeting or any adjournment thereof; or

- (b) in any other manner permitted by law.

Unless otherwise disclosed in this management information circular, no person who has been a director or an officer of the Corporation at any time since the beginning of its last completed financial year, or who is a proposed management nominee for election as a director of the Corporation or any associate of such persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. **In the absence of such direction, such shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment thereof.** At the time of the printing of this management information circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. **However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.**

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at May 4, 1998, 73,563,228 Class A Subordinate-Voting Shares of the Corporation (the "Subordinate-Voting Shares"), carrying the right to one vote per share at the Meeting, and 6,000,000 Class B Multiple-Voting Shares of the Corporation (the "Multiple-Voting Shares"),

carrying the right to five votes per share at the Meeting, were issued and outstanding.

The Corporation has fixed the close of business on Wednesday, May 6, 1998 as the record date for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. In accordance with the provisions of the *Business Corporations Act* (Ontario), the Corporation will prepare a list of the holders of Subordinate-Voting Shares and Multiple-Voting Shares on such record date. Each holder of such shares named in the list will be entitled to vote the shares shown opposite his name on the list at the Meeting except to the extent that (a) the Shareholder has transferred any of his shares after the date on which the list was prepared, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that he owns such shares and demands not later than ten days before the Meeting that his name be included on the list before the Meeting, in which case the transferee is entitled to vote his shares at the Meeting.

To the knowledge of the directors and officers of the Corporation, as at May 4, 1998, the only persons who beneficially own, directly or indirectly, or exercise control or direction over voting securities of the Corporation carrying more than 10% of the voting rights attached to the Subordinate-Voting Shares or the Multiple-Voting Shares are as follows:

Name	Number of Shares Owned (Percentage of Class and Type of Ownership)		
	Class A Subordinate-Voting Shares	Class B Multiple-Voting Shares	Percentage of Voting Rights
ADS Holdings (BVI) Limited ("ADS") ⁽¹⁾	5,406,905 Shares (7.4%) (of record and/or beneficially)	2,250,000 Shares (37.5%) (beneficially)	16.1%
Natural Forest Limited ("NFL") ⁽²⁾	4,468,405 Shares (6.1%) (of record and/or beneficially)	2,250,000 Shares (37.5%) (of record and beneficially)	15.2%
Forest Investment Partners, Ltd. ("FIP") ⁽³⁾	1,919,000 Shares (2.6%) (of record and/or beneficially)	1,200,000 Shares (20%) (beneficially)	7.6%

- (1) ADS is owned by three family trusts under which family members and associates of Mr. Allen Chan and Ms. Leslie Chan are beneficiaries. 500,000 Subordinate-Voting Shares owned beneficially by ADS are registered in the name of Mr. Allen Chan but are subject to a declaration of trust in favour of ADS. FIP holds 2,250,000 Multiple-Voting Shares pursuant to a declaration of trust in favour of ADS.
- (2) NFL is controlled by Mr. Kai Kit Poon. 500,000 Subordinate-Voting Shares owned beneficially by NFL are registered in the name of Mr. Kai Kit Poon but are subject to a declaration of trust in favour of NFL. Mr. Poon also owns beneficially 196,000 Subordinate-Voting Shares.
- (3) FIP is controlled by Ms. Leslie Chan. Ms. Chan is the spouse of Mr. Allen Chan. Ms. Chan also owns beneficially 1,033,000 Subordinate-Voting Shares. Mr. Chan also owns beneficially Subordinate-Voting Shares. See "Election of Directors". FIP holds 300,000 Multiple-Voting Shares subject to a declaration of trust in favour of Well Conduct Corporation, a corporation beneficially owned by Mr. Allen Chan and 2,250,000 Multiple-Voting Shares subject to a declaration of trust in

favour of ADS.

ELECTION OF DIRECTORS

Management of the Corporation proposes that the persons named in the following table be nominated for election as directors of the Corporation. All of the nominees for director are now directors of the Corporation and have been since the dates set opposite their names. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the election of directors.

In the event a nominee is unable to serve or will not serve, an event that management of the Corporation has no reason to believe will occur, the persons named in the accompanying form of proxy reserve the right to vote for another person at their discretion, unless a Shareholder has specified in the form of proxy that these shares are to be withheld from voting for the election of directors. Each director elected at the Meeting will hold office until the close of the next annual meeting of Shareholders or until such director's successor is duly elected or appointed.

The following table sets forth the name of each person to be nominated by the management of the Corporation for election as a director, such person's present position with the Corporation, the period or periods of his service as a director of the Corporation, and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, or subject to control or direction, by such person as at May 4, 1998:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Number and Class of Shares Beneficially Owned or Controlled</u>
Allen T.Y. Chan ⁽¹⁾⁽²⁾ Hong Kong	Chairman, Chief Executive Officer and Director of the Corporation and of Sino-Wood Partners, Limited	1994	1,699,500 Subordinate-Voting Shares
Kai Kit Poon Hong Kong	President and Director of the Corporation and of Sino-Wood Partners, Limited	1994	4,664,405 Subordinate-Voting Shares; 2,250,000 Multiple-Voting Shares ⁽⁴⁾
Edmund Mak ⁽¹⁾⁽³⁾ Vancouver, B.C.	Real estate marketing agent, Royal LePage Real Estate Ltd., a real estate company	1994	nil
Kee Y. Wong Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director of the Corporation	1997	800,000 Subordinate-Voting Shares
R. John (Jack) Lawrence ⁽²⁾ Toronto, Ontario	Chairman of Lawrence & Company, a private investment company	1997	1,718,200 Subordinate-Voting Shares ⁽⁵⁾
William P. Rosenfeld ⁽¹⁾⁽²⁾⁽³⁾ Toronto, Ontario	Partner, Goodman Phillips & Vineberg, Barristers & Solicitors	1997	nil

Michael Cheng Hong Kong	President, Keji Investment Co., Ltd.	1998	nil
----------------------------	---	------	-----

Notes:

- (1) Member of the Audit/Risk/Finance Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) 4,468,405 Subordinate-Voting Shares and 2,250,000 Multiple-Voting Shares are beneficially owned by Natural Forest Limited, which is controlled by Mr. Kai Kit Poon. Mr. Poon also owns beneficially 196,000 Subordinate-Voting Shares. See "Voting Securities and Principal Holders Thereof".
- (5) These shares are beneficially owned by Lawrence & Company Inc., which is controlled by Mr. R. John (Jack) Lawrence.

Michael Cheng is the founder and President of Keji Investment Limited, a Hong Kong based company with extensive investment interests in China. Mr. Cheng has over 15 years of experience in business development, project financing and investment in China. He has previously served as a senior executive for a state-owned enterprise in China.

EXECUTIVE COMPENSATION

1. SUMMARY COMPENSATION TABLE

The following sets forth the compensation paid or awarded to the Chairman and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of the Corporation (the "Named Executive Officers") for the Corporation's financial years ended December 31, 1997, 1996 and 1995. The Corporation has two "executive officers" within the meaning of the *Securities Act* (Ontario) whose compensation must be disclosed.

Name and Principal Position	Financial Year Ended	Annual Compensation			Long-term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽¹⁾ (\$)	Awards		Payouts	
					Securities Under Option/SARs ⁽²⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Allen T.Y. Chan, Chairman and Chief Executive Officer	1997	\$64,000	-	-	-	-	-	-
	1996	\$64,000	-	-	2,240,000/-	-	-	-
	1995	\$64,000	-	-	-	-	-	-

Kee Y. Wong, Executive Vice-President and Chief Financial Officer	1997	\$240,000	\$260,000	-	-	-	-	-
	1996	\$50,000	-	-	1,300,000/-	-	-	-

Notes:

- (1) The aggregate amount of perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the salary and the bonus of each Named Executive Officer for the fiscal years ended 1995, 1996 and 1997.
- (2) "SAR" means a stock appreciation right.
- (3) Kee Y. Wong joined the Corporation on October 1, 1996.

2. LONG-TERM INCENTIVE PLAN ("LTIP") AWARDS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

No LTIP awards were made to the Named Executive Officers during the fiscal year ended December 31, 1997.

3. OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR

During the fiscal year ended December 31, 1997, no incentive stock options were granted to the Named Executive Officers.

4. AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

The Named Executive Officers exercised options to acquire an aggregate of 2,440,000 Subordinate-Voting Shares during the fiscal year ended December 31, 1997. The following table sets out the fiscal year end value of stock options held by the Named Executive Officers:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at Financial Year-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-money Options/SARs at Financial Year-End (\$) Exercisable/Unexercisable
Allen T. Y. Chan, Chairman and Chief Executive Officer	1,640,000	\$1,161,400	-	-

Kee Y. Wong, Executive Vice-President and Chief Financial Officer	800,000	\$184,000	500,000/-	\$600,000/-
---	---------	-----------	-----------	-------------

5. OPTION AND SAR REPRICINGS

The Corporation did not make any downward repricing of stock options during the financial year ended December 31, 1997.

6. EMPLOYMENT AGREEMENT

The Corporation has entered into an employment agreement (the "Employment Agreement") with Kee Y. Wong (the "Executive") with effect as of January 1, 1997. In the event that the Executive's employment is terminated without cause, the Corporation is required to pay to the Executive an amount equal to 1.5 times his then-applicable compensation package, which shall include consideration of his annual base salary then in effect as well as a formula calculation taking into account bonuses earned by the Executive. Notwithstanding the foregoing, the Corporation may give the Executive six months' notice of termination, in which case the Executive shall, at the end of such six month period, be entitled to a payment equal to one times the then-applicable compensation package. The Executive may, for a period of 18 months following a "change of control" of the Corporation (as defined in the Employment Agreement), "resign for good reason" (as defined in the Employment Agreement including, without limitation, assignments which are not consistent with the Executive's title and duties prior to the Change of Control and any other conduct which would constitute constructive dismissal of the Executive), in which event the Executive shall be entitled to receive a severance entitlement as describe above.

7. COMPENSATION OF DIRECTORS

The non-executive directors of the Corporation receive an annual retainer of \$5,000, as well as payments of \$1,000 for each meeting of the Board held in Canada (\$2,000 for each meeting held outside of Canada) and payments of \$250-\$500 for telephonic meetings. In addition, the Chair of each Committee receives \$2,500 and each member of a Committee receives an additional annual payment of \$1,500. For the fiscal year ended December 31, 1997, the Corporation paid an aggregate of \$29,000 to members of the Board. The directors are reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors. During the fiscal year ended December 31, 1997, options to purchase up to 200,000 Subordinate-Voting Shares were granted to non-executive directors.

8. COMPENSATION COMMITTEE AND REPORT ON EXECUTIVE COMPENSATION

The compensation committee of the Corporation is made up of R. John (Jack) Lawrence, William P. Rosenfeld and Allen T.Y. Chan, Chairman and Chief Executive Officer of the Corporation, of which a majority are outside directors. The compensation committee will meet on compensation matters as and when required with respect to executive compensation. The primary goal of the compensation committee is to

ensure that the compensation provided to the Named Executive Officer and the Corporation's senior officers is determined with regard to the Corporation's business strategies and objectives, such that the financial interest of the senior officers is matched with the financial interest of shareholders. The Named Executive Officer and the Corporation's senior officers are paid fairly and commensurably with their contributions to furthering the Corporation's strategic direction and objectives. The Corporation also grants stock options to its officers, directors and employees from time to time in accordance with the Corporation's stock option plan.

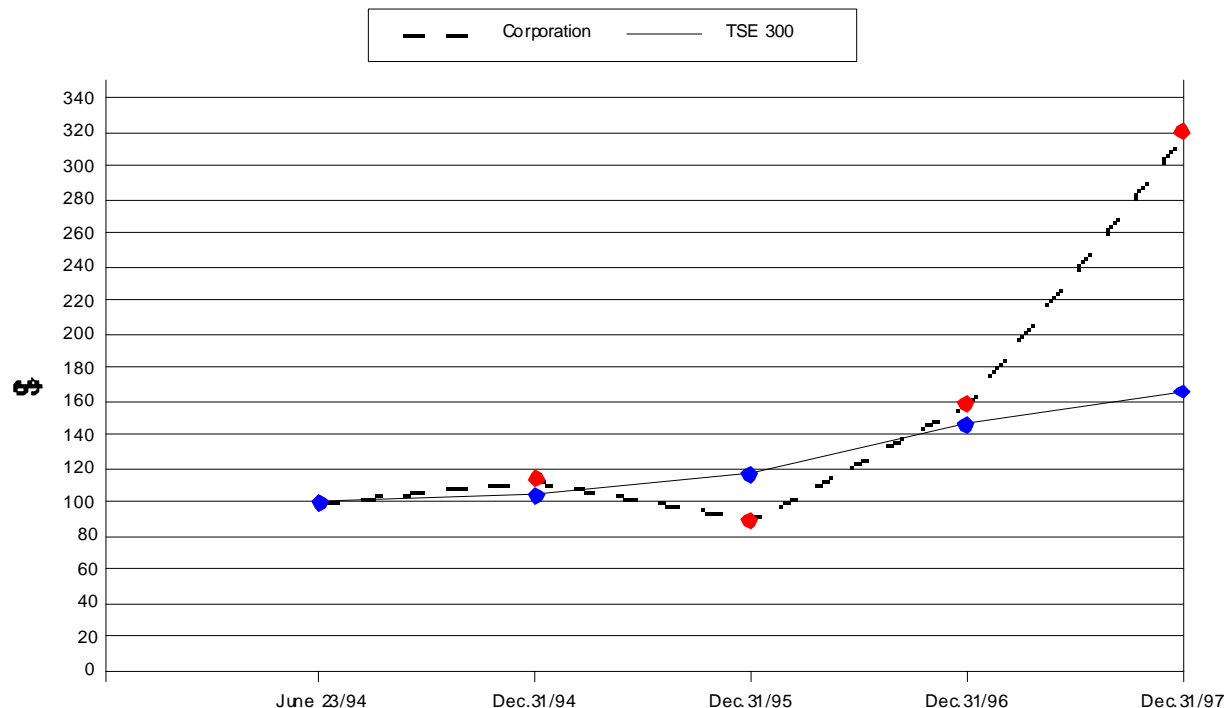
9. INSURANCE

The Company has purchased, at its expense, directors' and officers' liability insurance in the aggregate amount of \$10,000,000 for the protection of its directors and officers against liability incurred by them in their capacities as directors and officers of the Company and its subsidiaries. For the period from July 16, 1997 to July 16, 1998, the Company paid a premium of approximately \$26,000 plus provincial sales tax in respect of such insurance.

10. SHAREHOLDER RETURN PERFORMANCE GRAPH

The Subordinate-Voting Shares were first listed for trading on the Alberta Stock Exchange on June 23, 1994. They were subsequently listed on The Toronto Stock Exchange (the "TSE") on October 12, 1995. The following graph shows the percentage change in the cumulative shareholder return on the Subordinate-Voting Shares compared to the cumulative total return of the TSE 300 Index for the period from June 23, 1994 to December 31, 1997 assuming \$100 investments:

Comparison of 42 Month Cumulative Total Return between Sino-Forest Corporation and the TSE 300 Index



89.74166.06320.50146.91158.97116.83104.44114.10100

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

The following table sets forth the currently outstanding indebtedness to the Corporation of all officers and directors of the Corporation which was incurred in connection with the purchase of Class A Subordinate-Voting Shares under the Corporation's Stock Option Plan. The aggregate indebtedness to the Corporation or any of its subsidiaries of all officers, directors, employees and former officers, directors and employees of the Corporation or any of its subsidiaries as of May 4, 1998 is \$6,265,400.

Name and Place of Residence	Position	Largest Amount Outstanding During Fiscal 1997 (\$)	Amount Outstanding as at May 4, 1998 (\$)	Financially Assisted Securities Purchases During Fiscal 1997 ⁽¹⁾ (#)	Security for Indebtedness ⁽²⁾
Allen T.Y. Chan Hong Kong	Chairman, Chief Executive Officer and Director	nil	\$2,454,000	1,640,000	Subordinate-Voting Shares
Kai Kit Poon Hong Kong	President and Director	nil	\$1,019,600	696,000	Subordinate-Voting Shares
Leslie Chan Hong Kong	Executive Vice-President	nil	\$1,302,050	883,000	Subordinate-Voting Shares
Kee Y. Wong Mississauga, Ontario	Executive Vice-President, Chief Financial Officer and Director	nil	\$1,240,000	800,000	Subordinate-Voting Shares

Lawrence K.P. Hon Hong Kong	Senior Vice-President, Operations	\$60,000	\$249,750	335,000	Subordinate-Vo ting Shares
--------------------------------	---	----------	-----------	---------	-------------------------------

Notes:

- (1) All financially assisted securities purchases during fiscal 1997 were for Subordinate-Voting Shares.
- (2) All such indebtedness is non-interest bearing. The amounts are secured by pledges of the Class A Subordinate-Voting Shares acquired on the exercise of the options. Upon the sale of any of the pledged shares, a portion of the indebtedness is repayable.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The TSE has approved the recommendations of the report dated December 1994 (the "Report") by the TSE Committee on Corporate Governance in Canada and has adopted a new by-law requiring corporations listed on the TSE and having fiscal years ending on or after June 30, 1995 to disclose their approach to corporate governance. Companies listed on the TSE are not required to comply in all respects with the guidelines set out in the Report as it is recognized that there is a wide range of corporations listed on the TSE and compliance by smaller companies with all aspects of the guidelines would, in certain circumstances, be difficult or excessively expensive. The Board of Directors has a corporate governance committee made up of Messrs. Rosenfeld and Mak, both of whom are outside directors.

The Board of Directors is currently comprised of seven directors. Four of the seven directors (Messrs. Lawrence, Mak, Rosenfeld and Cheng) are outside directors, unrelated to management of the Corporation. Mr. Allen T.Y. Chan, Chairman and Chief Executive Officer of the Corporation, Mr. Kai Kit Poon, President of the Corporation, and Mr. Kee Y. Wong, Executive Vice President and Chief Financial Officer of the Corporation, represent both the management and the principal Shareholders of the Corporation. In their capacities as senior officers they report to the Board of Directors.

The Corporation's operating subsidiary, and most of its management, are located in Hong Kong and its operations are in various provinces of China. The Corporation's Executive Vice President and Chief Financial Officer is located in Toronto. Because of the distance and time difference, some of the Corporation's Board of Directors meetings are held by telephone with Mr. Allen T.Y. Chan visiting Canada periodically.

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 and reports to Shareholders. 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/risk/finance committee consisting of Messrs. Rosenfeld, Chan and Mak, of which Messrs. Rosenfeld and Mak are outside directors. The audit/risk/finance 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, Shareholder queries and comments should be directed to Mr. Allen T.Y. Chan in Hong Kong or to Mr. Kee Y. Wong at the Corporation's Canadian head office.

INTERESTS OF INSIDERS IN MATERIAL TRANSACTIONS

Mr. Allen T.Y. Chan, a director and officer of the Corporation, and Ms. Leslie Chan, an officer of the Corporation, are directors of a company which provided the Corporation's operating subsidiary with certain corporate services which included cash management, risk management, sales and marketing, governmental relations and investor relations during the financial year ended December 31, 1997, at a cost of approximately U.S.\$1,000,000. The shareholders of such company are family members of Ms. Leslie Chan and two family trusts under which family members and associates of Mr. Allen T.Y. Chan and Ms. Leslie Chan are beneficiaries and trustees.

A company in which Mr. Kai Kit Poon, a director and officer of the Corporation, is a director and the sole shareholder of, provided the Corporation's operating subsidiary with certain corporate services rendered during the financial year ended December 31, 1997, including governmental relations and technical services, for which such company received a fee of approximately U.S.\$405,000.

During the financial year ended December 31, 1997, a company in which Mr. Lawrence Hon, an officer of the Corporation, is a director and a shareholder of, provided the Corporation's operating subsidiary with certain corporate management services rendered, for which such company received a fee of approximately U.S.\$170,000.

APPOINTMENT OF AUDITORS

Management proposes to nominate Ernst & Young, Chartered Accountants, Toronto, which firm has been auditors of the Corporation since its incorporation in 1994, as auditors of the Corporation to hold office until the next annual meeting of Shareholders. It is intended that the shares represented by proxies in favour of management nominees will be voted in favour of the appointment of Ernst & Young as auditors of the Corporation and the authorizing of the directors to fix their remuneration. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of auditors.

AMENDMENT TO ARTICLES OF THE CORPORATION

The Articles of the Corporation (as such term is defined in the *Business Corporations Act* (Ontario) (the "OBCA")) currently provide that if the holders of the Multiple-Voting Shares (as defined in the Articles), as a group, should cease to own beneficially, directly or indirectly, at least 20% of the issued and outstanding Subordinate-Voting Shares, then all of the Multiple-Voting Shares shall be automatically converted into Subordinate-Voting Shares (the "Threshold Provision"). As of the date hereof, there are 6,000,000

Multiple-Voting Shares issued and outstanding, all of which are owned as set out above under "Voting Securities and Principal Holders Thereof".

At the Meeting, Shareholders will be asked to consider and, if thought fit, to pass a special resolution (the "Special Resolution") (the text of which is set out in Schedule "A" attached hereto) approving an amendment to subsection 8.1.(g)(10) of the Articles of the Corporation to amend the Threshold Provision by reducing the "20%" benchmark contained therein to "10%".

The Board believes that the original purpose of the Threshold Provision was to ensure that the holders of the Multiple-Voting Shares would have a significant and meaningful economic commitment to the Corporation as a pre-condition to receiving the benefits associated with the Multiple-Voting Shares. Moreover, the Board believes that one of the original purposes of the Threshold Provision was to motivate senior management of the Corporation, who either control Multiple-Voting Shares or whose families have a beneficial interest in the Multiple-Voting Shares, to create value for the shareholders of the Corporation.

The holders of the Multiple-Voting Shares held 16,200,000 Subordinate-Voting Shares, being 50.63% of the Subordinate-Voting Shares at the time in 1994 that the Corporation acquired its operating subsidiary pursuant to a reverse take-over. As of May 4, 1998 the holders of the Multiple-Voting Shares held 14,722,810 Subordinate-Voting Shares (20.01% of the outstanding Subordinate-Voting Shares). Subsequent to the date when the Multiple-Voting Shares were created, the Corporation has issued approximately 41.6 million Subordinate-Voting Shares, including shares issued in connection with public and private financings. As a result, the proportionate interests of the holders of the Multiple-Voting Shares have been seriously diluted. Moreover, the Board believes that management has met or exceeded original expectations as to the Corporation's growth potential and how the business of the Corporation was to evolve, including matters relating to the amount of plantation lands under contract as well as the phase-in schedule of such plantation lands. The Board believes that it is essential to the future progress and success of the Corporation to ensure that such key members of the Corporation retain an influencing vote on the affairs and direction of the Corporation, consistent with the elements of influence originally embodied in the provisions of the Multiple-Voting Shares. Messrs. Chan and Poon who, together with and their associates and families, collectively hold, directly or indirectly, the beneficial ownership of a majority of the Multiple-Voting Shares, are key members of the management of the Corporation and embody the goals and visions of the Corporation. Consequently, the Board believes that it is in the best interests of the Corporation that the Special Resolution be passed.

Pursuant to the provisions of the OBCA, the holders of each class of shares of the Corporation, being the Subordinate-Voting Shares and the Multiple-Voting Shares, are entitled to vote separately upon the Special Resolution. In order to pass the Special Resolution, an affirmative vote of 66 2/3% of the votes cast by the holders of each of the Subordinate-Voting Shares and the Multiple-Voting Shares at the Meeting is required for its approval. In addition to the votes required by the OBCA, The Toronto Stock Exchange requires that an affirmative vote of a majority of the votes cast by holders of Subordinate-Voting Shares at the Meeting, other than votes attaching to shares beneficially owned by (i) holders of Multiple-Voting Shares and (ii) insiders (as such term is defined in the TSE Company Manual), associates and affiliated companies (as such terms are defined in the *Securities Act* (Ontario)) of such holders of Multiple-Voting Shares is required for the approval of the Special Resolution. To the knowledge of management of the Corporation, the holders of Subordinate-Voting Shares whose votes shall be excluded from the vote referred to above own, directly or indirectly, an aggregate of 14,722,810 Subordinate-Voting Shares. If the Special Resolution does not receive the requisite shareholder approval, the amendment to the Articles will not be made. Notwithstanding approval by shareholders, the directors of the Corporation may, on their own initiative, determine at any time prior to the issue of a certificate of amendment, not to implement the Special Resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED "FOR" THE APPROVAL OF THE FOREGOING AMENDMENT TO THE ARTICLES OF THE CORPORATION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT SUCH SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Dissent Rights

A shareholder entitled to vote on the Special Resolution may dissent in respect thereof and be paid the fair value of his shares as set out in section 185 of the OBCA. A dissenting shareholder becomes entitled, if and when the Special Resolution becomes effective, to have the Corporation purchase all of the Shares held by such shareholder at the fair value thereof determined as of the close of business on the day before the Special Resolution was adopted. Notwithstanding the foregoing, no payment may be made to a dissenting shareholder if there are reasonable grounds for believing that the Corporation is, or would after the payment, be unable to pay its liabilities as they become due or if the realizable value of its assets would thereby be less than the aggregate of its liabilities.

To exercise such dissenting rights, a dissenting shareholder must send to the Corporation a written objection to the Special Resolution at or before the Meeting. The exercise of a proxy does not constitute a written objection for the purposes of section 185 of the OBCA. Within 10 days after the shareholders have adopted the Special Resolution, the Corporation is obliged to send to each shareholder who has filed an objection a notice that such resolution has been so adopted. Within 20 days after the receipt of the aforesaid notice, a dissenting shareholder is required to send to the Corporation a written notice setting out his or her name, address, the number and class of shares in respect of which he or she dissents and a demand for payment of the fair value of such shares. A dissenting shareholder may only claim dissent rights with respect to all shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. In addition, no later than the 30th day after such shareholder has sent his notice demanding payment of fair value, the dissenting shareholder must send the certificate(s) representing the Shares in respect of which he has dissented to the Corporation or its transfer agent. Thereafter, the Corporation, or its transfer agent, must endorse on any such share certificate(s) so received a notice that the holder is a dissenting shareholder under section 185 of the OBCA and forthwith thereafter return the share certificate(s) to the dissenting shareholder. Failure by a dissenting shareholder to comply with the foregoing requirements will disentitle the dissenting shareholder from making a claim under section 185 of the OBCA. Furthermore, upon sending the notice referred to above, the dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of his shares; however, shareholder rights will be restored if the notice is withdrawn by the dissenting shareholder before the Corporation makes an offer of payment for such shareholder's shares or if the Corporation fails to make an offer of payment as described below and the notice is withdrawn by the dissenting shareholder.

In addition, the Corporation shall, not later than seven days after the later of the date the Special Resolution becomes effective or the day on which the Corporation receives a demand for payment of fair value, send a written offer to pay for such shares in an amount considered by the directors of the Corporation to be the fair value thereof as at the close of business on the day prior to the date of implementation of the Special Resolution, accompanied by a statement as to how the fair value was determined. The Corporation is to pay for such shares within 10 days after such an offer has been accepted. In the event that the Corporation fails to make an offer to pay for the shares or if a dissenting shareholder fails to accept such an offer within 30 days, the Corporation may, within 50 days after the date the Special Resolution becomes effective or within such further period as the court may allow, apply to a court to fix the fair value for the shares owned by such dissenting shareholder. The OBCA provides that a dissenting shareholder will be allowed a further period of 20 days to apply to the court for the same purposes should the Corporation fail to do so.

Before making any application to the court to fix a fair value for the shares of a dissenting shareholder or within seven days of receiving notice of an application commenced by a dissenting shareholder pursuant to section 185 of the OBCA, the Corporation must give notice to each dissenting shareholder setting out the date, place and consequences of the court application and that such dissenting shareholder has the right to appear and be heard in person or by counsel. The court will then be required to fix the fair value for the shares of all dissenting shareholder(s) whose shares have not been purchased by the Corporation and all such dissenting shareholders shall be bound by the decision of the court.

The full text of section 185 of the OBCA is set out in Schedule "B" to this management information circular.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as disclosed below and except in so far as they may be shareholders of the Corporation, no director or officer of the Corporation or any proposed nominee of management of the Corporation for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting.

Each of ADS, NFL, FIP, Ms. Leslie Chan and Messrs. Chan and Poon have a material interest in the Special Resolution. See "Voting Securities and Principal Holders Thereof" for information pertaining to the number of Subordinate-Voting Shares and Multiple-Voting Shares held by such persons.

APPROVAL OF BOARD OF DIRECTORS

The contents of this management information circular and the sending of it to each director of the Corporation, to the auditors of the Corporation, to the shareholders of the Corporation and to the appropriate governmental agencies, have been approved by the directors of the Corporation.

Dated: May 4, 1998.

"Allen T. Y. Chan"

(signed) Allen T. Y. Chan
Chairman and Chief Executive Officer

Schedule "A"

SINO-FOREST CORPORATION

SPECIAL RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. subsection 8.1.(g)(10) of the Articles of the Corporation (as such term is defined in the *Business Corporations Act* (Ontario)) is hereby amended by deleting the reference to "20%" contained therein and replacing it with a reference to "10%", and the Corporation be and it is hereby authorized to make application for Articles of Amendment to reflect such amendment;
2. notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation be and they are hereby authorized and empowered not to implement this resolution at any time prior to the filing of Articles of Amendment without further approval of the shareholders of the Corporation; and
3. any director or officer of the Corporation is hereby authorized and directed to do and perform all acts and things necessary or desirable to give effect to the foregoing resolution.

Schedule "B"

SINO-FOREST CORPORATION

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 168 or 170 may dissent, except in respect of an amendment referred to in,

- (a) clause 170(1)(a), (b) or (e) 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 day 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 on 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 168(3), terminate an amalgamation agreement under subsection 176(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, within 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) withdraw 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 upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission.

(32) Commission may appear. - The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31) if the corporation is an offering corporation.