

SCHEDULE IV (A)

TO: OSLER HOSKIN & HARCOURT LLP

**FROM: ADVISORS TO THE INDEPENDENT COMMITTEE OF THE BOARD OF
DIRECTORS OF SINO-FOREST CORPORATION**

REPORT ON PROCESS TO DATE

NOVEMBER 13, 2011

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I. INTRODUCTION

1. The Independent Committee (the “IC”) of the Board of Directors (the “Board”) of Sino-Forest Corporation (“SF”) was established by the Board on June 2, 2011 immediately following the release by Muddy Waters (“MW”) of its “research report” (the “MW Report”) regarding SF. The mandate of the IC, in general terms, is to independently examine and review the serious and wide-ranging allegations made in the MW Report and report back to and, if appropriate, make recommendations to the Board. Osler Hoskin & Harcourt LLP (“Osler”) was appointed independent counsel to the IC and PricewaterhouseCoopers LLP (“PwC”) was engaged to assist Osler. Mallesons Stephen Jaques (“Mallesons”) and Jun He were engaged by the IC as its Hong Kong and Chinese counsel, respectively. Osler, PwC, Mallesons and Jun He are collectively referred to as the “IC Advisors”.
2. This report from the IC Advisors sets out the process undertaken to date for the purpose of assisting Osler. Certain additional procedures may be referred to in the Second Interim Report of the Independent Committee of the Board of Directors of SF.
3. This report should only be read in conjunction with the restrictions and qualifications, which are set out in Exhibit I.1.
4. This report should also be read and considered in conjunction with the findings set out by the IC in their Second Interim Report of the Independent Committee of the Board of Directors of SF.

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II. IC MEETINGS

5. To date, approximately 48 meetings of the IC have been held. The IC Advisors have verbally reported all key issues and their progress to the IC at those meetings. The IC Advisors have sought and received direction from the IC throughout the process to date.

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III. CASH CONFIRMATIONS

6. As set out by the IC in its First Interim Report, certain precautionary measures were implemented by the IC with a view to monitoring and increasing controls over certain movements of cash. In this regard, the IC instructed that either of Bill Ardell or Judson Martin be a co-signatory with SF management (“Management”) on all SF cheques in excess of US\$1 million issued from Hong Kong bank accounts. We also understand that Bill Ardell received periodic updates on cash positions directly from Management.
7. PwC was requested by the IC to confirm cash balances. Given the reputation in China for the heightened risk that documents may be falsified or individuals may be impersonated, PwC planned procedures designed to mitigate the potential for manipulation of the process and to confirm cash balances as of June 13, 2011.
8. SF held accounts primarily in Hong Kong and Mainland China. Due to the large number of accounts in Mainland China (over 300 accounts) and the time that would have been required to confirm all relationships, PwC was instructed to limit the sample to 28 accounts which covered 80% of the recorded dollar value balances as at June 13, 2011 (as provided by SF). The specific work comprised the following:
 - (i) Confirmation with the relevant institution of all SF cash balances held in Hong Kong and/or managed by the Hong Kong office as at June 13, 2011.
 - (ii) Confirmation with the relevant branch of the relevant institution of certain high value SF cash balances held in 28 bank locations within the Peoples Republic of China as at June 13, 2011. PRC banks will only confirm details of accounts specifically listed in the confirmation request. It is possible that accounts which have not been identified to the IC Advisors by the Company at banks visited, or accounts at other banks not visited, have allowable overdraft facilities not recorded in the Company's books which could reduce the net cash balance within the group.

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9. After successful completion of this exercise, the IC decided that no further steps would be taken by the IC Advisors with respect to cash subsequent to those confirmations.

IV. ELECTRONIC DATA GATHERING AND REVIEW

A. Preservation and Processing

10. When PwC was engaged by the IC on June 7, 2011, it recommended that steps be taken to secure all potential sources of relevant electronically stored information. Such steps included issuing of legal hold notice to SF employees and other relevant parties as well as identification and preservation of potential sources of relevant electronic information. In view of the potential cultural and other sensitivities of Management of the company, the IC requested the IC Advisors to wait until a member of the IC arrived in Hong Kong on June 11, 2011 to manage these sensitivities.
11. Commencing on June 11, 2011, IC Advisors held discussions with SF's senior IT managers at each of the SF's three data centres (two in Guangzhou and one in Hong Kong), and other employees as necessary, to gain an understanding of SF's organizational IT environment and end user computing practices as they relate to receiving, creating, storing, distributing and archiving of electronic documents, including, among other things, emails and accounting data.
12. The preservation process included forensic imaging and collection of all server based user documents and communications (i.e. email servers, file servers, backup tapes) and computers and hand held devices (e.g. Blackberry, iPhone, iPad) for a total of 129 users. The 129 identified custodians were comprised of certain SF employees based in Hong Kong and Guangzhou. The selection process was based on the IC Advisors' initial understanding of SF operations and identification of relevant key management and employees.
13. It was discussed with the IC, and set out in the IC Advisors' Work Plan, that in consideration of the low probability of the existence of critical data at the subsidiary offices and the relatively high cost of obtaining this data, the IC Advisors would not preserve data physically held by custodians located in more remote subsidiary offices unless later considered necessary. The server copies of email and shared data for any custodians from subsidiary offices, if they existed, were included in the preservation at the corporate office level.
14. Due to the large number of custodians and the high volume of server data, the data collection and preservation process was conducted on a rolling basis over

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several weeks. During this process, the IC Advisors prioritized the order by which each custodian's data would be processed and reviewed.

15. The IC Advisors identified 23 individuals who were determined to be "priority one" custodians based on their position in management or their working relationship with senior management. These custodians' data was the first to be processed and reviewed.
16. The full group of 23 priority one custodians is attached as Exhibit IV.A.1.

B. E&Y Concerns

17. In response to a letter dated June 27, 2011 (Exhibit IV.B.1) from Ernst & Young ("E&Y"), SF's auditors, to the IC expressing concerns, the IC instructed PwC to focus initially on the email communications of 8 of the 23 aforementioned priority one custodians. The data resulting from such searches was made available for review by the IC Advisors and E&Y. The 8 custodians were:
 - (i) Alfred HUNG - Vice President, Corporate Planning and Banking, Hong Kong
 - (ii) Albert IP - Senior Vice President, Development & Operations North-East & South-West China
 - (iii) Albert ZHAO - Senior Vice President, Development & Operations, South & East China
 - (iv) Allen CHAN - Chairman & Chief Executive Officer
 - (v) Teresa LAU – Assistant to Alfred HUNG
 - (vi) Vienna CHAN – Assistant to Albert IP
 - (vii) Yan Dan LIU– Assistant to Albert ZHAO and CHEN Hua
 - (viii) Yosanda CHIANG – Assistant to Allen CHAN
18. In consideration of additional input from E&Y, the IC Advisors prepared 9 sets of keyword searches designed to provide insight into 5 categories of concern regarding Management's response to the MW allegations generally, and specifically in relation to:

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- (i) Establishing Management's internal reaction to the MW allegations evidenced in communications made soon after the release of the MW Report;
 - (ii) Attempting to gain insight into the ownership of timber holdings noted in internal and external correspondence about and with forestry bureaus, by reviewing;
 - a. Correspondence concerning the preparation of draft or template forestry bureau confirmations;
 - b. Correspondence internally or externally relating to arrangements for the issuance of forestry bureau confirmations;
 - c. Correspondence referencing the external auditors in connection with the confirmation letters; and,
 - d. The frequency and timing of correspondence with or related to AIs (and Suppliers) and their representatives.
19. These 9 sets of keyword searches produced 11,174 documents that were made available to E&Y, after isolating and excluding 758 of potentially privileged documents (the "Targeted Search Results").
20. Commencing the first week in July, the IC Advisors reviewed the Targeted Search Results with a view to identifying any documents which may be considered to be of significant interest to E&Y either positively or negatively, in the context of their consideration of the MW allegations and the impact of those allegations on the financial statements on which E&Y have expressed opinions. Documents of potential interest to E&Y and the IC Advisors were identified and subjected to further review by the IC Advisors.
21. During the week of July 18, 2011, the Targeted Search Results were made available to E&Y for review in a secure electronic database at the Hong Kong offices of PwC. E&Y was provided with access to the review database by multiple users. The E&Y reviewers were not permitted to retain copies of any documents but were able to tag documents by category, indicate documents for follow up, and to make review comments on each document.
22. The IC Advisors review of Targeted Search Results highlighted certain issues and emails requiring further examination and/or explanation from Management. These issues were brought to the attention of the IC as they arose.

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23. The IC Advisors prepared evidence brief plans to accelerate the examination of the three specific primary issues initially set out in the IC Advisors' work plan. The issues were as follows:
- (i) SF's relationship with one of its key Suppliers, Huaihua City Yuda Wood Co., Ltd. ("Yuda Wood");
 - (ii) SF's relationship with AI #16; and,
 - (iii) The apparent re-characterisation of an amount payable from SF to Jiangxi FB #1 ("Jiangxi FB #1") as a donation with the identified objective to "restore" the relationship between the two.
24. During the week of August 8, 2011, copies of the draft Yuda Wood, AI #16, and Jiangxi FB #1 evidence brief plans were provided to E&Y for their review and comment. E&Y agreed with the plans.
25. The IC Advisors' procedures encompassed in the evidence brief plans, in particular in relation to SF's relationship with Yuda Wood, are set out below in further detail in a separate section of this report. One of the primary procedures for each evidence brief plan was to conduct expanded keyword searches for each matter across the 23 priority custodians. The following section outlines the process of the expanded email review conducted for the above noted evidence brief plans.

C. Email Review

26. Through the combined processes described in the sections below, including review of emails responsive to keyword searches conducted pursuant to the Yuda Wood, AI #16, and Jiangxi FB #1 evidence brief plans, a total of 422 documents were identified by the IC Advisors, Bennett Jones LLP ("Company Counsel") and E&Y as being of potential concern and warranting further follow up.
27. These 422 documents include 301 documents which were responsive to the Yuda Wood search terms, 21 responsive to the AI #16 search terms, 0 responsive to the Jiangxi FB #1 search terms and 100 other e-mails of interest identified through the search process.
28. After eliminating a number of duplicate documents the 422 documents were reduced to 401¹ documents for follow up. See Exhibit IV.C.1 for a diagram of the

¹ A combined total of 422 documents of interest were identified by the IC's Advisors, E&Y, and BJ (344 in the initial rounds of review plus 41 identified by BJ and 37 identified by the IC's Advisors during the second round of review). Among the combined results 422 documents, 21 documents appear to be duplicates.

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process undertaken by the IC Advisors during the email review relating to Yuda, AI #16, Jiangxi FB #1, and other matters.

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1. Yuda Wood Email Review

29. Following the IC Advisors' review of the Targeted Search Results, and after consultation with E&Y following their own review, the relationship between SF and Yuda Wood became a primary area of concern. The IC Advisors prepared a list of expanded keyword search terms that resulted in 49,677 responsive documents from the 23 first priority custodians ("Yuda Responsive"), including 494 documents identified as potentially privileged. The IC Advisors attended preliminary interviews conducted by Company Counsel of certain members of Management during which a select number of emails were presented for comment.
30. Review of the initial population of 49,677 Yuda Responsive documents commenced during the week of August 8, 2011.
31. As the initial review of emails proceeded, certain documents were identified as requiring further review and follow up (several were identified during the IC Advisers/E&Y email review process as noted above). Certain of these documents of interest raised some concern on the initial reading and were tabled at the IC meeting of August 12, 2011. It was agreed with the IC that the IC Advisors were at the early stages of review and any documents of interest to date would need to be further analyzed, including completing the email review – that is, they needed to be "run to ground" to determine if there were any significant concerns warranting further investigation with SF current and former employees, Suppliers, AIs and others.
32. By August 19 2011, although the email review process was only partially complete, the IC Advisors had identified 57 documents of interest concerning the SF/Yuda Wood relationship. The IC determined that these emails were sufficient enough in number and substance to warrant further investigation.
33. The IC Advisors prepared an interim evidence brief regarding the SF/Yuda Wood relationship that was presented to the IC on August 23, 2011. On the basis of this evidence brief, the IC instructed the IC Advisors not to wait for the completion of the review of Yuda Wood documents but to commence interviews of Management immediately with respect to the identified areas of concern.
34. The IC advised E&Y of the 57 documents of interest and made these available to E&Y for review in Toronto, Vancouver and Hong Kong beginning on August 24, 2011.
35. The review of documents continued after the IC Advisors' preliminary interviews (accompanied by Company Counsel) of Management were completed during the

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period of August 24 to 26, 2011. In total, the first level preliminary review resulted in 4,159 potentially significant documents.

36. Secondary review of these potentially significant documents resulted in this number being reduced to 301 documents which warranted further investigation.

2. AI #16 Email Review

37. The IC Advisors prepared a list of expanded keyword search terms that resulted in 23,281 responsive documents from the 23 custodians, including 161 identified as potentially privileged.
38. Preliminary review resulted in 1,036 potentially significant documents.
39. Secondary review of these potentially significant documents resulted in this number being reduced to 21 documents which warranted further investigation.

3. Jiangxi FB #1 Email Review

40. The IC Advisors prepared a list of expanded keyword search terms that resulted in 10,535 responsive documents from the 23 custodians, including 74 identified as potentially privileged.
41. Preliminary review resulted in 24 potentially significant documents.
42. Secondary review of these potentially significant documents resulted in no documents which warranted further investigation.

4. Other Emails of Interest

43. During the course of their work, the IC Advisors and Company Counsel identified a further 100 documents of interest which resulted from the searches performed across the electronic data.
44. The foregoing email review process resulting in the IC Advisors developing a total of 8 evidence brief plans which formed the basis for ongoing examination.

5. Ongoing Review by Company Counsel

45. On October 26, 2011, Company Counsel produced a further 29 documents of interest generated under its own scope of review. The IC Advisors have not received instructions from the IC to review these emails to date. We understand this is under consideration by the IC. Other than those noted in this report, the

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IC Advisors have not been provided with any other documents of interest by Company Counsel under its scope of review.

6. Follow up and Management's Response to Emails

46. As noted above, a limited number of principally Yuda Wood related emails were presented to Management during the course of preliminary interviews conducted between August 24 and 26, 2011. The IC Advisors have not had the opportunity to conduct follow up interviews with Management as the IC determined that the emails should be presented by Company Counsel to Management for written comment first.
47. During the course of the email review conducted by the IC Advisors, E&Y, and BJ, a total of 401 documents were presented to Management to provide a formal written response as directed by the IC. This does not include the additional 29 documents referred to in the previous section as it is not known if these have been presented to Management by Company Counsel for comment.
48. Management has provided explanations for certain of the emails of concern through the interview process.
49. Management has also provided a written explanation for certain of the emails which relate to Yuda Wood issues on October 22, 2011. The IC Advisors have provided comments on the Management responses received to date.
50. Responses by Management to certain other emails remain outstanding. Management has recently produced some further written responses to Yuda Wood related emails and an assessment of the relationship with Yuda Wood. The IC Advisors have not received instructions from the IC to review these responses to date and understand this is under consideration by the IC.
51. We understand EY have posed additional questions of Management regarding Yuda Wood. The IC Advisors are not aware if responses have been provided by Management and the IC Advisors have not received further instructions to date from the IC in this regard.

7. Additional Custodians

52. In the course of the ongoing review, including interviews with Management and with Supplier/Authorized Intermediary ("AI") representatives, the IC Advisors identified three custodians falling outside of the initial list of 23 first priority custodians which could warrant further review. These individuals were Simon

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Yeung, Jiang You Bin and Lu Qiding (who we understand used his assistant's computer for communications). The IC considered the IC Advisors' recommendation to review these custodians' emails and instructed that such review not be done at that time. The IC remained open to further consideration of the recommendation at a later date; however, as of the date of this report, the IC Advisors have not received additional instructions in this regard.

D. Factors Affecting the Electronic Data Gathering and Review Process

53. The legal hold notices were not issued by SF, at the direction of the IC, until after the Chair of the IC was able to speak directly to the senior management at a meeting held in Hong Kong on June 12, 2011. The legal hold notice was sent to all employees on June 14, 2011. A further reminder was sent out by Company Counsel on July 28, 2011.
54. The extent of historical electronic data (e.g. emails) at the Guangzhou office where two of the senior members of Management are located (CHEN Hua and Albert ZHAO) was almost non-existent. There was no backup of the email server (according to Management, the email and file servers were not being backed up at this location). The earliest email retrieved from Ms. Chen and Mr. Zhao's computers and servers was dated June 10, 2011. It is to be noted that the IC Advisors attended at the aforementioned office on June 13, 2011 for data preservation but access to the company servers and IT staff was denied by Ms. Chen. Subsequently, on June 15, 2011, the IC Advisors were provided access to commence data preservation.
55. The IC's instructions, reflecting its focused review, limited search terms for the electronic data review to the 8 evidence brief topics for identified issues of concern and approved by the IC for review.
56. The review of electronic data which may be relevant to these issues of concern has been confined to the data collected from the 23 selected custodians company owned computers, hand held devices and servers.

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V. FORESTRY BUREAUS

57. One of the primary allegations made by MW was that SF's timber holdings in Yunnan province were materially overstated. Historically, primary evidence of title for SF's timber holdings has included confirmation letters issued by respective forestry bureaus. The confirmation letters were shown annually to the SF's Auditors, E&Y and, for 2007, BDO, in support of SF's ownership of plantations.
58. The historical confirmations were in a standard format, and not only purported to confirm the ownership of timber holdings, but they also purported to confirm SF's rights to harvest and transport the timber. The IC Advisors advised the IC that in order to address certain of the MW allegations, it would be important to confirm ownership of its forestry assets. This could be undertaken through a combination of reviewing ownership documents, testing the validity of the forestry bureau confirmations and verifying the movement of funds to pay for such timber.
59. Senior Management expressed strong concerns about approaching the forestry bureaus to reconfirm existing confirmations obtained by the Company. Reasons for these concerns included:
- (i) Such confirmations were not standard forestry bureau documents, contained statements that could embarrass the forestry bureau officials (see (iii) and (iv) below), and were issued as a favour to the Company;
 - (ii) SF had been asked to keep the existence of such documents confidential, so if any party other than SF was to seek reconfirmation of them, the forestry bureaus would likely deny having issued them;
 - (iii) The forestry bureaus may have exceeded their authority in issuing such confirmations, especially as they related to harvesting and transportation rights, and therefore the officials could risk sanctions if they reconfirmed the earlier documents;
 - (iv) References contained in the existing confirmations may contradict the position of the Chinese Central Government and thus cause embarrassment to officials, since many of the forestry reforms may not have been implemented; and
 - (v) The relationships developed by SF with the forestry bureaus would be jeopardized by this process.

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60. The IC Advisors initially recommended reconfirming existing forestry bureau confirmations. However in light of the strong concerns raised by Management, the IC determined that, as an alternative, it could seek to obtain new confirmations in the place of the existing forestry bureau confirmations.
61. On June 9, 2011, E&Y informed the IC Advisors that a central searchable online database was publicly accessible that would enable the IC Advisors to validate timber holding certificates held by SF. The IC Advisors acted on the information provided by E&Y and attempted to access the purported registry; however, when the site was checked, it appeared to be a private site (as its domain name did not end with “.gov.cn”) which had been shut down temporarily. When subsequently checked (on September 28, 2011) and the site was active, the IC Advisors observed that the site data was incomplete with very limited coverage on one county in Guangdong Province and did not include forestry bureaus at which SF PRC’s were registered.

A. The Process of Meeting with Forestry Bureaus

62. A brief summary of key procedures that have been, or are to be undertaken is set out below:
 - (i) Obtain verification from forestry bureaus of their issuance of the existing confirmations and/or obtain new confirmations from forestry bureaus;
 - (ii) Obtain an understanding of the process undertaken by the forestry bureaus to issue such confirmations;
 - (iii) Review the forest bureau plantation registry to determine who is the registered holder of the related plantation rights certificates (“PRCs”); and
 - (iv) Conduct an examination of SF’s electronic data to identify whether there is any evidence that confirmations were created by SF employees.
63. During the week of June 27, 2011, based on the IC Advisors’ review of the existing confirmations made available to them at that time, a sample of 6 forestry bureaus in Yunnan were selected having issued 55 old confirmations corresponding to 215,606 Ha of BVI timber plantations (see table below). Albert Ip was designated by Allen Chan to arrange and attend meetings between the IC Advisors and senior officials of the 6 forestry bureaus.

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City	Status	Forestry Bureau	Confirmations	Hectares	Contract Amount (RMB)	Contract Amount (USD)
Yunnan City #1	Currently held	Yunnan FB #5	12	64,695	2,265,037,432	342,011,178
Yunnan City #2	Currently held	Yunnan FB #8	2	4,151	95,129,840	14,364,208
Yunnan City #2	Disposed	Yunnan FB #8	3	13,933	333,414,674	50,344,221
Yunnan City #3	Currently held	Yunnan FB #4	7	17,708	544,450,338	82,209,724
Yunnan City #4	Currently held	Yunnan FB #3	19	56,367	1,713,835,637	258,782,013
Yunnan City #5	Currently held	Yunnan FB #2	11	44,319	2,070,361,006	312,615,852
Yunnan City #6	Currently held	Yunnan FB #6	1	14,433	689,133,866	104,056,331
Grand Total			55	215,606	7,711,362,791	1,164,383,528

64. The IC Advisors' work plan also included procedures to obtain confirmations from forestry bureaus in other Provinces. See Exhibit V.A.1 for the IC Advisors initial detailed schedule of forestry bureaus and the associated BVI held plantations selected for verification.
65. Management described to the IC Advisors the standard practice for obtaining confirmations, which was that SF's supplier of a plantation in any given City or County was responsible for obtaining the relevant forestry bureau confirmation. Management advised that it was, therefore, necessary to engage SF's Suppliers to assist with arranging the forestry bureau visits.
66. For purposes of independence of the process, the IC Advisors requested Management to provide contact details for its Suppliers and the forestry bureaus officials to be visited. Management did not provide this information and further advised that the visits were being arranged solely by Management.
67. Since Management had expressed strong concerns about showing existing confirmations to the forestry bureaus, the IC concluded that new confirmations should be prepared that would help to validate SF's ownership rights to the timber holdings reported in its financial statements.

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68. Input was received from SF's in-house legal counsel and aggregated with the advice of the IC Advisors to arrive at a new form of confirmation that was acceptable to the IC Advisors' and the Company.
69. The IC Advisors prepared three versions of draft new confirmation letters and provided them to the SF's in-house legal counsel and Operations team for review and comment. The new forms of confirmation varied in degree of evidentiary value and took into consideration SF's advice that certain terms would not likely be agreeable to the forest bureaus, such as confirming information regarding cutting and transportation rights (as set out in the existing confirmations).
70. The three versions are summarized as follows:
 - (i) Version 1 (ideal): Direct reference is made to the existing confirmation and the fact that the forestry bureau confirmed ownership under the existing confirmation. In addition, the forest bureau would issue a new confirmation.
 - (ii) Version 2 (mid level): No direct reference would be made to the existing confirmation document. However, the forestry bureau would confirm the plantation ownership covered by the existing confirmation. In addition, a new confirmation would be issued.
 - (iii) Version 3 (minimum): The forestry bureau would only issue a new confirmation.
71. SF's in-house legal counsel and Operations team expressed strong concerns on making reference to the existing confirmations, and the IC Advisors consolidated the three versions into one simplified version which is similar to version 3 as summarized above, with no reference made to the existing confirmations.
72. In order to ascertain the timber holdings in prior years, the new confirmations would also seek to confirm timber holdings that have already been disposed of by SF.
73. At a meeting with the IC Advisors on June 30, 2011, Management and in-house legal counsel requested that the IC Advisors not present existing confirmations to forestry bureau officials for affirmation on the basis that the presentation of these existing confirmations would harm SF's relationship with the forestry bureaus. The IC agreed to this request.
74. Between July 7, 2011 and August 18, 2011, the IC Advisors attended visits with 6 forestry bureaus at which new confirmations were sought.

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75. During the week commencing August 29, 2011, Management advised that, after much effort by SF with forestry bureaus, two additional forestry bureaus (one in Guangxi Province and one in Hunan Province) would meet with the IC Advisors to confirm the issuance of the existing confirmations by these two bureaus.
76. In order to maintain independence in fact and appearance in the asset ownership verification process, the IC Advisors had certain expectations as to the process of meeting and interviewing forestry bureau officials. Given the heightened risk in the Chinese environment that documents may be falsified or individuals may be impersonated, the IC Advisors planned procedures designed to mitigate the potential for manipulation of the process. Such procedures included the following:
- (i) All visits with forestry bureau officials would be conducted at the official office premises of each Bureau, during regular hours of operation, and with multiple senior officials (Chief/Vice Chief), whose identities could be confirmed by official means.
 - (ii) The IC Advisors would have visibility into the process by which meetings were arranged. That is, that Management would keep the IC Advisors apprised of which forestry bureaus were being contacted, which individuals were being contacted (their names, positions, and contact information), what was being communicated, where and when meetings were scheduled.
 - (iii) SF representatives would be present at the visits and the IC Advisors would lead the discussions in the meetings.
 - (iv) The IC Advisors would be able to take notes during the visits and to be able to contact the relevant officials subsequently in order to present any follow up questions or points for clarification. The IC instructed the IC Advisors not to record any conversation during the visits.

B. Interview Protocol

77. In order to address concerns over sensitivity of the interviews, the IC directed that the interviews of forestry bureau officials be led by Rebecca Huang of Bennett Jones. The IC instructed that she should use the questions developed by the IC Advisors and she would ask any supplemental questions that the IC Advisors might have during the course of the interview.

C. Current Status of Forestry Bureau Visits

78. The following table sets out a summary of status of forestry bureau visits to date:

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Forestry Bureau	Province	Purpose	Party Selecting FB	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	Status and Comments
Yunnan FB #5	Yunnan	New Confirmation	Independent Committee	Simon Yeung	Jiang Youbin, Assistant VP; Simon Yeung, Assistant VP; Henry Chen, Senior Legal Manager	Confirmation not obtained.
Yunnan FB #7	Yunnan	New Confirmation	Sino-Forest Management	Wu Qian Hui	Judson Martin, CEO; Henry Chen, Senior Legal Manager; Leo Liu, Assistant Operations Executive ; Wu Qianhui, Assistant VP	Obtained a confirmation from the Yunnan Forestry Entity #1 of contractual rights of SF in purchase of timbers in Yunnan City #7
Yunnan FB #1	Yunnan	New Confirmation	Independent Committee	Albert Ip	Albert Ip; Jiang Youbin, Assistant VP; Pak Ng, Project Manager;	Confirmation not obtained.
Yunnan FB #2	Yunnan	New Confirmation	Sino-Forest Management	Albert Ip	Albert Ip, VP; Jiang Youbin, Assistant VP; Pak Ng, Project Manager	Obtained a confirmation from the forestry bureau confirming the contractual rights of SF in purchase of timbers in Yunnan City #5.
Yunnan FB #3	Yunnan	New Confirmation	Independent Committee	Albert Ip	Albert Ip, Senior Vice President; Jiang Youbin, Assistant VP; Pak Ng, Project Manager; Henry Chen (Senior Legal Manager)	Confirmation not obtained.
Yunnan FB #9	Yunnan	New Confirmation	Independent Committee	Simon Yeung	Simon Yeung, VP; Jiang Youbin, Assistant VP; Wu Qianhui, Assistant VP; Tang Bin, Senior Manager-China Legal Affairs	Obtained a confirmation from the forestry bureau confirming the contractual rights of SF in purchase of timbers in Yunnan County #1.
Yunnan FB #6	Yunnan	New Confirmation	Sino-Forest Management			Not visited to date

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Forestry Bureau	Province	Purpose	Party Selecting FB	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	Status and Comments
Yunnan FB #4	Yunnan	New Confirmation	Sino-Forest Management	Simon Yeung	Jiang Youbin, Assistant VP; Simon Yeung, Assistant VP	Confirmation not obtained.
Yunnan FB #8	Yunnan	New Confirmation, Old Confirmations, Plantation Rights Certificates	Independent Committee			Not visited to date
Hunan FB #1	Hunan	Old Confirmations	Sino-Forest Management	Jiang Youbin	Jiang Youbin, Assistant VP; Tang Bin, Senior Manager-China Legal Affairs ; Leo Liu, Assistant Operations Executive	The party who the IC advisors met at the forestry bureau offices confirmed their issuance of the existing confirmations.
Guangxi FB #1	Guangxi	Old Confirmations	Sino-Forest Management	Jiang Youbin	Jiang Youbin, Assistant VP ; Henry Chen, Senior Legal Manager ; Leo Liu, Assistant Operations Executive	The forestry bureau confirmed their issuance of the existing confirmations.
Hunan FB #2	Hunan	New Confirmation, Old Confirmations	Sino-Forest Management		Judson Martin, CEO; Wu Qianhui, Assistant VP; Tang Bin, Legal Manager; Leo Liu, Assistant Operations Executive; Rebecca HUANG, SF Counsel	Hunan Forestry Entity #1 confirmed the contractual rights and area of SF in purchase of timbers within a provided list.
Hunan FB #3	Hunan	Old Confirmations	Independent Committee			Not visited to date
Jiangxi FB #2	Jiangxi	Old Confirmations, Plantation Rights Certificates	Independent Committee			Not visited to date
Anhui FB #1	Anhui	Mandra Plantation Rights Certificates	Independent Committee			Not visited to date

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Forestry Bureau	Province	Purpose	Party Selecting FB	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	Status and Comments
Jiangxi FB #3	Jiangxi	Old Confirmations, Plantation Rights Certificates, Mandra Plantation Rights Certificates	Independent Committee			Not visited to date

79. Subsequent to the selection of the forestry bureaus to visit identified above, the IC Advisors selected 2 additional bureaus where verification of existing confirmations could be sought. These were selected by the IC Advisors as ones where a direct approach by IC Advisors could be made, accompanied by a letter of authorization from the Company. This was suggested to the IC in response to the challenges encountered in the forestry bureau confirmation process, including the limited availability of Management resources. The two bureaus recommended were based on their coverage, including acreage, BVI/WFOE holdings, and Yuda Wood transactions.
80. In a memo from Judson Martin to the IC dated September 28, 2011, Management presented an alternate plan to confirm approximately 88%, or 683,853 of 778,771 hectares of timber assets. These assets are intended to be supported by a combination of existing and new confirmations. See Exhibit V.C.1 for Management's memo to the IC.
81. The IC determined it would proceed with Management's alternate plan.

D. Forestry Bureau Visits to Confirm PRCs for WFOE/Mandra Plantations

82. The IC Advisors have suggested selecting and visiting three forestry bureaus that relate to locations with the highest concentrations of Sino-Wood and Mandra PRCs. The purpose of the visits would be to request those forestry bureaus to confirm the Sino-Wood/Mandra PRCs which they had issued. As at the date of this report the IC Advisors have not been instructed to conduct these visits.

E. Factors Affecting Forestry Bureau Visits

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83. There are a number of factors which have affected the forestry bureau visits and confirmation process:
- (i) Management did not provide a comprehensive list of plantation assets which reconciled to its financial statements until June 23, 2011;
 - (ii) Shortly after the MW allegations, Management, on its own initiative, caused all forestry bureau confirmations to be relocated from their various locations throughout the SF organization to Guangzhou. This resulted in a delay in these documents being made available to the IC Advisors. Management explained the forestry bureaus wanted the confirmations returned as they may have exceeded their individual authorities in confirming certain rights. However, the confirmations were not returned to the forestry bureaus and were sighted by the IC Advisors in the offices of Chinese counsel to SF;
 - (iii) Forestry bureau officials are not required to meet with any party regarding the confirmations or the process they had undertaken in issuing those confirmations.
 - (iv) Prior to August 29, 2011, the process determined by the IC did not allow the IC Advisors to ask any forestry bureau any questions relating to the existing confirmations;
 - (v) The IC Advisors have not had visibility into the process regarding the setting up of meetings relating to existing or new confirmations. Judson Martin, in his capacity as CEO, has agreed to provide a letter of representation to the IC with respect to the process undertaken while he has held this position;
 - (vi) The IC Advisors were directed by Management to visit Yunnan FB #1. This forestry bureau further directed the IC Advisors to go to one of its subordinate county-level forestry bureaus (Yunnan FB #2);
 - (vii) In all four instances where new confirmations were obtained, the forestry bureau or other parties who issued the confirmation did not sign the new form of confirmation as sought by the IC Advisors but instead prepared their own versions whereby ownership is not confirmed and only a contractual arrangement between SF and its Supplier is recognized;
 - (viii) The time made available for the meetings with forestry bureau officials has been limited and the IC Advisors have not been permitted to ask certain questions;

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- (ix) Due to the limited number of senior SF employees/Management participating in meetings at the forestry bureaus with the IC Advisors, the processes at the various forestry bureaus were conducted consecutively rather than concurrently;
- (x) The process for SF employees to arrange meetings with forestry bureau officials has taken some time;
- (xi) Certain forestry bureaus have deferred or not permitted the IC Advisors' requests to access the plantation rights registries. Others have advised they have not yet established a searchable registry of plantation rights. The forestry bureaus also indicated they do not issue new PRCs for the transfer of standing timber alone. As such, the IC Advisors have been unable to confirm the existence of the PRCs during the IC Advisors' visits;
- (xii) In some instances, forestry bureaus would not issue the new confirmations using their letterhead, which is inconsistent with prior practices.
- (xiii) Certain forestry bureaus have given few details as to what due diligence processes they have undertaken before issuing both the existing confirmations and the new confirmations.
- (xiv) At a meeting at Hunan FB #1 on September 2, 2011 to validate the authenticity of the existing confirmations, Management represented a forestry bureau official to be the Forestry Bureau First Vice Chief when in fact this individual was no longer in the position of Vice Chief, and had been paid by SF for several months prior to the visit to act as a consultant for SF. The IC Advisors understand this meeting was recorded by SF employees, but have not been provided with a copy of the tape.
- (xv) The new confirmation obtained at the Hunan FB #2 was not issued by the forestry bureau; rather, it was issued by a "social institution legal person" sponsored by the Hunan FB #2. The relative degree of comfort of this confirmation as compared with the new confirmations from forestry bureaus is not clear.
- (xvi) During the Hunan FB #2 visit held on October 18, 2011 the IC Advisors were informed by the former Chief of the bureau, FB Official #1, that Vice Chief FB Official #2 was assigned by the forestry bureau to work with SF since approximately 2008 to assist SF in conducting its business. The IC Advisors were informed that FB Official #2 continued to receive a

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basic salary from the forestry bureau while working with SF. They were also advised that this practice occurs with other companies.

- (xvii) The new confirmation obtained at the Yunnan FB #7 was not issued by the forestry bureau; rather, it was issued by a division of the bureau, namely, the Yunnan Forestry Entity #1. The relative degree of comfort of this confirmation as compared with the new confirmations from forestry bureaus is not clear.
- (xviii) The IC instructed the IC Advisors not to make direct contact with forestry bureau officials. The IC explained that Management cited strong concerns that such contact would negatively impact the Company's relationship with the forestry bureaus.

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VI. AI/SUPPLIER MEETINGS

84. A key allegation in the MW report involves SF's relationship with its Suppliers and AIs. The IC Advisors recommended, on June 11, 2011 as set out in their work plan, that it would be important to meet with AIs and Suppliers and examine documents in their possession, including documents evidencing title and flow of funds for purchases and sales. AI and Supplier meetings are relevant to both the allegations of non-arm's length transactions and also to the existence and valuation of forestry assets.
85. With regard to the non-arm's length transactions, MW alleged that SF engaged in transactions involving the purchase from, or selling to, undisclosed companies controlled by SF. There is also an allegation that SF is economically dependent on certain of these companies.
86. In order to consider the non-arm's length/economic dependence allegations the IC Advisors recommended procedures to identify Suppliers and AIs and verify the registered ownership of these entities.
87. A brief summary of the key procedures is set out below:
 - (i) Review agreements with Suppliers and AIs, identifying all names and addresses associated with counterparties;
 - (ii) Conduct public record searches to determine shareholders, legal representatives and licensed scope of business;
 - (iii) Conduct directorship searches in Hong Kong on key members of Management of SF to identify their interests, if any, in any other companies in Hong Kong;
 - (iv) Conduct directorship, legal representative and shareholder searches in China (subject to the availability of information) on the key members of Management of SF and individuals who appear to be connected with various Suppliers or AIs;
 - (v) Cross-reference results from steps above with SF records, including emails and SF personnel lists, to identify potential relationships;
 - (vi) Perform purchase and sale analyses between SF and Suppliers and AIs;
 - (vii) Review electronic evidence obtained from the computers and electronic devices of the Company and its personnel including e-mails and user files

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in order to identify any indications of undisclosed relationships or control and any related party relationships; and

- (viii) Through meetings with AIs and Suppliers and our review of their records, assess the proportion of their business which is conducted with SF.

A. The Process of Meeting with AI/Suppliers

- 88. On June 11, 2011 the IC Advisors requested that Management provide a list of Suppliers and AIs with which SF had transacted during the period of January 1, 2006 to March 31 2011, including the names and contact details (addresses and telephone numbers) of key contacts as well as copies of the Suppliers and AIs' business licenses.
- 89. On June 22, 2011 SF provided the IC Advisors with the Chinese names of all AIs (BVI customers).
- 90. On June 23, 2011 SF provided the IC Advisors with the Chinese names of all Suppliers (BVI Suppliers).
- 91. The IC Advisors requested detailed information about the AI and Supplier companies and their respective key SF contacts and ultimate beneficial owners on June 11 2011. Management expressed concerns that identifying the AI and Supplier owners could expose the AI and Supplier owners and damage SF's relationship with them. Management enquired as to what confidentiality undertakings could be given to AIs and Suppliers regarding any information provided to the IC. Of particular concern was the confidentiality of such information in the hands of the OSC. During July and August, while Management awaited resolution of the issue of confidentiality, we understand efforts were being made with AIs and Suppliers to arrange interviews. The final contact information was provided to the IC Advisors on September 6, 2011.
- 92. On August 4, 2011, the IC Advisors provided Management with a sample of 10 of the 38 BVI/WFOE Suppliers and 8 of the 29 AIs/WFOE Customers in order for SF to arrange meetings. At the same time the IC Advisors developed detailed Interview Questions and an Interview Protocol (which was agreed to by Management) for both AIs and Suppliers interviews. The protocol included the IC Advisors gaining access to AI/Supplier books and records to validate transactions and obtain copies of all key documents. These interviews were to be conducted at the place of business of the AI/Supplier.
- 93. On August 12, 2011 Allen Chan informed the IC Advisors that, although there are a number of AI's listed as having been customers of SF since 2006, those companies are operating project companies of larger conglomerates – that is, there

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are “holding companies” (“HoldCos”). He stated that the HoldCos remained in existence in the period under review but the subsidiary operating AI companies would change periodically². Mr. Chan indicated that he would arrange for IC Advisors to see the management of the HoldCos (as opposed to the management of the project companies that E&Y had been taken to see).

94. On August 12, 2011, at a meeting to discuss how the process of arranging meetings with AIs and Suppliers could be advanced, Allen Chan advised that the IC Advisors list of 14 AIs could be condensed into 3 groupings plus 1 individual company, AI Conglomerate #2.
95. On August 18, 2011 SF provided the IC Advisors with a more thorough list of BVI Suppliers and AIs. This list was provided to the OSC pursuant to a subpoena/production order.
96. On August 18, 2011, the IC Advisors met with Allen Chan at the SF offices in Hong Kong, at which meeting Mr. Chan outlined the general structure of the Hold Cos as they relate to the operating subsidiary AI companies, see Exhibit VI.A.1. No names of AIs or HoldCos were provided, although Mr. Chan stated that he would provide the names and explain the linkages of each HoldCo to the 5 current AIs by the end of the day (previously stated by Mr. Chan to be 4 as noted above).
97. On August 19, 2011, Mr. Chan provided an organizational diagram setting out the relationships between the HoldCos and the related AIs, providing the English names of each company. The IC Advisors requested the Chinese names of the HoldCos; these names were provided on September 5, 2011.
98. Based on the information gathered from various sources, the IC Advisors examined a timeline of activity between SF and its Suppliers.
99. On November 10, 2011 Management provided the IC Advisors with some further information relating to the identities of supporters behind Suppliers and AIs. The IC Advisors have not received instructions to review this information from the IC to date and we understand this is under consideration by the IC.

B. Interview Protocol and Interview Questions

100. The IC Advisors established a protocol to enable productive meetings with Suppliers and AIs as follows:

² Note - groupings may not be legal groupings with cross shareholdings in the Western sense but rather groups of companies under common control or influence.

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- (i) The meetings were to be at Supplier and AI offices to enable an understanding of the scale of their operations.
 - (ii) A set of general interview questions applicable to each AI, Exhibit VI.B.1, and to each Supplier, Exhibit VI.B.2, as appropriate, was prepared and provided to Company Counsel prior to each interview, since pursuant to the IC's instructions, the interviews were to be led by Company Counsel. These questions were not provided to Management by the IC Advisors and Company Counsel was instructed not to provide them to Management nor to the persons to be interviewed.
 - (iii) An interview protocol, Exhibit VI.B.3, for each meeting was prepared and provided to Management and Company Counsel to be shared with the selected Suppliers and AIs in advance.
 - (iv) The initial protocol requested that the AI/Supplier prepare documents for review evidencing cash transactions with SF from January 2006 to the present. However, based on discussions with Management and the IC, the IC Advisors amended the protocol to request that the AI/Supplier provide documents in respect of a detailed sample of transactions to be shared with the selected Suppliers and AIs in advance.
 - (v) A listing of specific document requests was also prepared and shared with the selected Suppliers and AIs in advance.
101. Each meeting would include participation by senior Management so as to facilitate cooperation of the interviewee(s).
102. The IC Advisors indicated in the interview protocol that the interviews were expected to be 1-2 hours and were expected to be held with a senior executive from the Supplier/AI company at their place of business. In addition, a further 4-5 hours was to be spent with the Supplier/AI's accounting or operational staff to assist the IC Advisors with a review of key documentation related to a sample of transactions between SF and the interviewee company.
103. The expectation was to obtain photocopies of all key documents for each sample transaction (chain of title, payment, taxes paid etc.).
104. In preparation for the meetings the IC Advisors performed the following procedures:
- (i) Conducted searches of email and user files using key words and reviewed content of emails and documents identified (as noted in Section IV, C. above with a focus on Huaihua City Yuda Wood, AI #16, Survey Co #1,

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Shareholder #10 and other select matters set out in the 8 evidence brief plans);

- (ii) Conducted public record searches of companies identified to date – this process is ongoing as new entities are identified; and,
- (iii) Performed an analysis of purchase and sales in respect of transactions with certain companies.

105. In order to address concerns over sensitivity of the interviewees, the IC directed that the interviews of AIs and Suppliers be led by Rebecca Huang of Company Counsel. The IC instructed that she should use the questions developed by the IC Advisors and she would ask any supplemental questions that the IC Advisors might have during the course of the interview. The OSC also provided some specific questions which Rebecca Huang was asked to pose. All of the AI/Supplier interviews proceeded in this manner with the exception that IC Advisors were permitted to pose limited clarification questions directly to the interviewees. SF employees also attended all meetings and took detailed notes. During some interviews, Rebecca Huang asked her own additional questions and declined to ask certain questions posed by the IC Advisors. During one interview (Redacted), Rebecca Huang presented 2 internal SF emails to an interviewee without the prior knowledge of the IC Advisors. The IC Advisors did not have a similar opportunity to present emails to the interviewees. Following each meeting, the IC Advisors prepared detailed minutes for the meeting, taking into consideration comments of the Company’s Counsel.

106. Since several AI/Supplier interviews did not occur at their place of business, the IC approved a procedure whereby the IC Advisors would attend unaccompanied to observe selected AI/Supplier premises to gain an understanding of the apparent substance of those businesses.

C. Current Status of AI/Supplier Visits

107. To date the IC Advisors have attended the following AI meetings:

Authorized Intermediaries	Meeting Date(s)	Interviewee Company Attendees	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	SF Counsel Attending Meeting	IC Advisors Attending Meeting
AI #4 (AI Conglomerate #1)	October 25, 2011	AI #4: AI-Supp Contact #1 AI Conglomerate #1: Shareholder #5	Albert ZHAO	Judson Martin Albert ZHAO TANG Bin Leo LIU	Rebecca HUANG	Antoinette LAU Hester SU Kirk TONG Ningning ZHANG

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Authorized Intermediaries	Meeting Date(s)	Interviewee Company Attendees	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	SF Counsel Attending Meeting	IC Advisors Attending Meeting
AI #1	September 30, 2011	AI-Supp Contact #3	Albert ZHAO	Albert ZHAO Alfred HUNG TANG Bin Leo LIU Henry CHEN	Rebecca HUANG	John Donker Antoinette LAU Hester SU Bo WANG Kirk TONG
AI #2/ AI Conglomerate #1	October 25, 2011	AI #2: Officer #3 AI Conglomerate #1: Shareholder #5	Albert ZHAO	Judson Martin Albert ZHAO TANG Bin Leo LIU	Rebecca HUANG	Antoinette LAU Hester SU Kirk TONG Ningning ZHANG
AI #3 (Holding Co – AI Conglomerate #2)	October 17, 2011	AI Conglomerate #2: Shareholder #2, AI-Supp Contact #4 (legal, first name not provided) AI #3: AI-Supp Contact #5	Albert ZHAO	Judson Martin Albert ZHAO TANG Bin Leo LIU	Rebecca HUANG	Antoinette LAU Hester SU Stuart Valentine Kirk TONG
Supplier #20 (also an AI)	September 27, 2011	Shareholder #17	JIANG Youbin	JIANG Youbin TANG Bin Leo LIU	Rebecca HUANG	Steven Henderson Antoinette LAU Hester SU Bo WANG Kirk TONG
Supplier #3 (also an AI)	September 23, 2011	Shareholder #3 AI-Supp Contact #6 (assistant)	Qianhui WU	Qianhui WU TANG Bin Leo LIU	Rebecca HUANG	Steven Henderson Antoinette LAU Julie SHAO Bo WANG Kirk TONG
Holding Companies						
AI Conglomerate #2	October 17, 2011	AI Conglomerate #2: Shareholder #2, AI-Supp Contact #4 (legal) AI #3: AI-Supp Contact #5	Albert ZHAO	Judson Martin Albert ZHAO TANG Bin Leo LIU	Rebecca HUANG	Antoinette LAU Hester SU Stuart Valentine Kirk TONG

108. To date the IC Advisors have attended the following Supplier meetings:

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Suppliers	Meeting Date(s)	Interviewee Company Attendees	SF Personnel Arranging Meeting	SF Personnel Attending Meeting	SF Counsel Attending Meeting	IC Advisors Attending Meeting	Documents Reviewed? (Y/N)
Supplier #1	September 2, 2011	Supplier #1: Shareholder #1 Trading Co #5: AI-Supp Contact #7	JIANG Youbin	Mark ZHU	Rebecca HUANG – attended partial meeting	Steven Henderson Antoinette LAU Jessica LI Stuart Valentine Kirk TONG Bo WANG	No
Supplier #3	September 23, 2011	Shareholder #3 AI-Supp Contact #6 (assistant, first name not provided)	Qianhui WU	Qianhui WU TANG Bin Leo LIU	Rebecca HUANG	Steven Henderson Antoinette LAU Julie SHAO Bo WANG Kirk TONG	Yes
Supplier #1	September 28, 2011	Shareholder #1 Zhuomin (Counsel for Shareholder #1) AI-Supp Contact #8	JIANG Youbin	Mark ZHU JIANG Youbin TANG Bin Leo LIU	Rebecca HUANG	Steven Henderson Antoinette LAU Hester SU Stuart Valentine Kirk TONG	Yes
Supplier #19	September 22, 2011	Shareholder #9	JIANG Youbin	JIANG Youbin TANG Bin Leo LIU	Rebecca HUANG	Steven Henderson Antoinette LAU Julie SHAO Bo WANG Kirk TONG	Yes

109. The IC has determined that further visits to AIs and Suppliers will not be undertaken due to the lower incremental value of visits beyond those conducted to date.

D. Factors Affecting the Process of Supplier and AI Meetings

110. The following factors have affected the AI and Supplier visits process:

- (i) Certain members of Management have not disclosed to the IC Advisors all the relationships between Suppliers or AIs and the Company, or among Suppliers, AIs and/or Company personnel of which they were aware and that may be pertinent to the examination;
- (ii) While certain members of senior Management have advised Company Counsel that they know or believe that there are “influential people” or “supporters” behind certain Suppliers who are different from those parties

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disclosed in the SAIC searches, they have not disclosed to the IC Advisors the identities of such persons;

- (iii) Management has:
 - a. Taken in excess of two months to disclose basic details of relationships/inter-relationships between AIs and to disclose the identities of “holding companies” and individuals with the ultimate beneficial control of AIs and Suppliers;
 - b. Not provided full names of the principals, management and operational contacts of all Suppliers, AIs and associated conglomerate companies which are necessary for comprehensive searches;
 - c. Delayed access to available Company personnel records which were critical to the consideration of relationships to the IC Advisors on a timely basis;
 - d. Not provide the Chinese names of all Suppliers, and AIs, and associated conglomerate companies on a timely basis, or in some cases not at all, which are required for SAIC and electronic data keyword searches;
 - e. Provided Company personnel records which appeared to be inconsistent in some degree with records obtained through review of electronic correspondence; and
 - f. Not provided the requested senior Management attendance earlier in the process, as Allen Chan did not attend interviews and Judson Martin became available and attended interviews commencing on October 17, 2011.
- (iv) AI and Supplier representatives are not required to meet with, or produce documentation to, the IC or the IC Advisors.
- (v) The IC Advisors have not had visibility into the process regarding the setting up of meetings relating to AIs and Suppliers. Judson Martin, in his capacity as CEO, has agreed to provide a letter of representation to the IC with respect to the process undertaken while he has held this position. The IC Advisors have not viewed any letter of representation to date. In late August 2011, other senior members of Management were placed on administrative leave by the Company upon the advice of Company

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Counsel and, as a result, the IC Advisors understand these individuals were not involved in the process.

- (vi) All meetings with AIs and Suppliers were attended by SF employees who, after the first interview, had knowledge of the IC Advisors' general questions to be asked of AIs and Suppliers at all subsequent interviews.

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VII. SEARCHES AND RELATIONSHIP MAPPING

111. To address the allegations that SF is engaged in numerous non-arm's length transactions, the IC, through the IC Advisors, conducted a relationship mapping process which involved cross referencing names, addresses, and other information relating to various SF companies, employees, and Directors against the same or similar information for third parties such as Suppliers, AI's, forestry bureaus, etc., with the objective of identifying any undisclosed relationships.

A. The Process of Searches and Relationship Mapping

112. The primary sources of information used to populate the mapping database were as follows:

- (i) British Virgin Islands Corporate Registry filings, 13 searches were commissioned; 5 remain outstanding;
- (ii) China State Administration for Industry and Commerce ("SAIC") filings, 153 searches were commissioned; 16 remain outstanding;
- (iii) Hong Kong Companies Registry Filings, 86 searches were commissioned and all have been completed;
- (iv) Cayman Islands Corporate Registry filings, 1 search was commissioned and has been completed;
- (v) Marshall Islands Corporate Registry filings, 1 search was commissioned and remains outstanding;
- (vi) Singapore Corporate Registry filings, 2 searches were commissioned and both remain outstanding;
- (vii) SF corporate data including:
 - a. SF-prepared list of employees during the period 2006 to June 2011,
 - b. SF employee telephone listings,
 - c. SF employees' email contents,

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- d. SF employees' user files (including HR files obtained from the computers of HR personnel and the SF file servers in Hong Kong and Guangzhou), and
 - (viii) SF lists of subsidiary companies; and,
 - (ix) Interviews with Management, Suppliers, AI's, and former SF employees.
113. For searches conducted in China, the process takes approximately 2 to 3 weeks to obtain the SAIC filings. As new companies come to the attention of the IC Advisors during the examination process they have been added to the relationship mapping database on a staggered basis.
114. In the week of June 13, the IC Advisors requested access to certain SF HR data, including personal contact information for SF employees (the "HR Data"). The information contained in the HR Data was key to the IC Advisors' being able to complete the relationship mapping procedures.
115. On June 16, 2011, Management expressed concerns about granting the IC Advisors access to confidential and personal information. George Ho, Vice President, Finance (China), initially refused access to Company HR data. He agreed that SF would allow the IC Advisors to access the data after a protocol for usage of the data was implemented. The matter was raised with Judson Martin, then Vice-Chairman, who requested that the IC Advisors raise it with the IC.
116. The IC Advisors were provided with the HR Data on July 12, 2011 and it was processed into the relationship mapping database.
117. As the HR Data was processed, the IC Advisors identified inconsistencies in the HR Data (which originated on the Company's shared file server) relative to data that had been preserved on laptop computers in the custody of various employees.
118. The IC Advisors reviewed set-off documents (see Section IX below) in conjunction with information obtained through AI/Supplier interviews and identified further apparent relationships.
119. The analysis of these additional apparent relationships were provided to Management for comment. The relationships can be categorized in 3 groups: SF/Supplier relationships; Supplier/AI/Customer relationships; and transactions/set-offs recorded among AIs/Customers.

B. Factors Affecting Corporate Searches and Relationship Mapping

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120. The company searches in the Mainland China, British Virgin Islands, Cayman Island, Marshall Island and Singapore have been conducted by various agents (searches on companies incorporated in the Mainland China were conducted by Sinotrust Business Risk Management Ltd., Shanghai LJ Enterprise Management Consultant Co., Ltd., and Credimaster Management & Consulting (Beijing) Co., Ltd.; searches on companies incorporated in British Virgin Islands, Cayman Island, Marshall Island and Singapore were conducted by Central Business Information Limited). The corporate searches on Hong Kong registered companies were conducted through the Hong Kong Company Registry's website.
121. The searches have been conducted using the company names of the AIs, Suppliers and/or their connected parties provided by SF and/or obtained from the SF records. The IC Advisors have not been able to obtain the corporate filings of certain companies with the relevant registry with the name provided.
122. The IC Advisors were advised by the aforementioned agents that due to the volume of search requests from third parties, some of the local SAICs refused to conduct searches against certain company's SAIC filings, which limits their ability to obtain the corporate filings of these companies.
123. The IC Advisors have not been able to obtain the annual return of any Hong Kong registered company that has been dormant, has been incorporated for less than one year from the date of search, or has been dissolved before the review period since these companies are not required to file their annual returns with the registry. The company search reports on the British Virgin Islands companies do not contain any information regarding their directors or members of management.
124. The IC Advisors have sought to identify the relationship of identified individuals or entities with SF by matching the names and ID card numbers of such individuals and/or the shareholders, directors and/or legal representatives of such entities obtained from the company search reports.
125. The IC Advisors identified several additional relationships of concern and recommended on October 17, 2011 that the IC investigate these findings. The IC instructed the IC Advisors not to pursue these findings at that time, pending a response from Management. Management provided a response to certain relationships of concern to the IC Advisors on November 10, 2011, but the IC Advisors have not received instructions to review this material to date and we understand this is under consideration by the IC.

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VIII. WHISTLEBLOWER ALLEGATION

126. In an email discovered by Bennett Jones, it is alleged that an employee and two agents of Sino-Forest engaged in improper activities, including the following:
- transactions potentially not in the best interests of Sino-Forest shareholders;
 - personal profit;
 - bribery of government officials; and
 - falsifying company records.
127. The IC Advisors provided the IC with a plan to investigate the allegations. The IC directed Management to respond before the IC Advisors took further steps.
128. The IC Advisors reviewed Management's response which the IC Advisors concluded to be incomplete and provided comment to the IC. To date, the IC has not provided further instructions to the IC Advisors.

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IX. REVENUE RECONCILIATION

129. In response to the MW allegations, Management has denied that SF has inappropriately recognized revenue. The IC Advisors established procedures to assist the IC to reconcile sales contracts for the 2010 fiscal year to the 2010 financial statements. The revenue reconciliation exercise was split into BVI and WFOE transactions.

A. BVI Revenue

130. The primary source of revenue for the Company's BVI business is derived from the sale of standing timber through AIs under the Entrusted Sale Agreements. Payment is always made through set-off payments whereby the AI holds the proceeds of sale on behalf of the Company to be used to pay for new timber purchases by the BVIs. When such new timber purchases by a BVI occurs, the Company directs the AI to make set-off payment to the Supplier of that new timber on behalf of the purchasing BVI.

B. Set-off Documents

131. Each set-off payment is recorded through a series of four set-off documents consisting of the following:
- i. instructions from a BVI with accounts receivable from an AI for that AI to make payment to a particular Supplier as payment for a new timber purchase by that same BVI or another BVI;
 - ii. notification from SF to the Supplier that payment is being made through the AI via set-off on behalf of the purchasing BVI;
 - iii. confirmation from the AI that payment has been made to the Supplier as requested by the instructing BVI; and
 - iv. written confirmation from the Supplier to the instructing BVI and paying AI that payment has been received from the AI.

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C. Review of Set-off Documents

132. The IC Advisors reviewed complete sets of set-off documents corresponding to all BVI timber purchases made from Q1 2006 to Q4 2010. All set-off documents are printed on A4 size paper and use mostly identical wording and formatting. Observations of the wording include:
- i. payment instructions from the BVI to AI feature the name of the BVI at the top and are dated, signed by K.K. Poon and stamped and set out the amount to be paid;
 - ii. notification of set-off from BVI to Supplier features the name of the BVI at the top and are dated, signed by K.K. Poon and stamped and set out the amount to be paid;
 - iii. confirmation of payment from AI features the name of the AI and is undated and stamped and sets out the amount and date of payment; and
 - iv. confirmation of receipt of payment from Supplier is dated stamped and sets out the amount and date of payment received.

D. Set-off Documents Tied to New Purchases But Not Sales

133. The set-off documents are only produced and stamped after the Company enters into a new BVI Timber Purchase Contract and, therefore, reflect the payment of the consideration for this new BVI Timber Purchase Contract. Although this payment uses proceeds from earlier sales transactions held by the AIs on behalf of the Company, the set-off documents do not explicitly relate to any particular sales transaction and hence are not a record of BVI sales transactions. Further, the proceeds held by the AI and used to make the set-off payment for the new purchase may originate from multiple earlier sales transactions.

E. No Other Documentation Other Than Set-off Documents

134. Because the set-off documents are only produced in the event of a new BVI standing timber purchase to be paid for using proceeds of earlier BVI timber sales, until any such new BVI standing timber purchase takes place there is no other documentation produced evidencing payment and settlement of those earlier BVI timber sales.

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F. No Evidence of Movement of Cash

135. The IC Advisors requested but were not provided with documentation evidencing movement of cash pursuant to the set-off arrangements. Further, representatives of numerous AIs and Suppliers indicated that they completed such set-off payments by instructing third and fourth parties to respectively make and receive payment on their behalf. As a result, the set-off documents, BVI Timber Purchase Contracts and Entrusted Sale Agreements were the only basis for BVI revenue reconciliation against the Company's books.

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X. VALUATION

136. Key allegations in the MW Report relate to the valuation of SF's standing timber holdings being overstated. The MW Report suggests that Poyry, the company retained by SF to provide certain valuation services, had been provided manipulated data and had its scope of work restricted by SF. The report also suggests that timber holdings are overstated by way of alleging purchase transactions being fabricated.
137. Initially, the IC instructed the IC Advisors to focus on verifying existence and ownership of the assets, with a subsequent step being the valuation of those assets. The IC determined in August 2011 that the valuation exercise would need to run concurrently with the other efforts.
138. At the request of the IC, the IC Advisors pursued the engagement of an independent valuator with appropriate forestry expertise in China. The scoping of this project with a prospective valuator was completed. However, through the course of its own review, the IC determined it had material concerns with respect to such valuator's independence and did not proceed with it further. At the same time, SF was giving consideration to a course of action which would require a valuation of its own, and in order to avoid duplication of costs and effort, the IC determined it would combine its needs with those of the Company and proceed with a new process.
139. A key concern identified by the IC Advisors was the information from SF that longitude/latitude coordinates of standing timber plantations cannot be obtained from the Company's surveyor reports. Such reports show GPS coordinates for the village/general area rather than detailed coordinates that would facilitate specific identification and a site-walk/examination.

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XI. INTERACTION WITH COMPANY PERSONNEL/ACCESS TO SF PREMISES

140. Following the replacement of Allen Chan by Judson Martin as CEO on August 26, 2011, the IC Advisors proposed having brief regular update meetings to assist with tracking progress of information requests. Mr Martin preferred to respond to written requests, which were effected through a request tracker.
141. On September 29, 2011 the Company requested that the IC Advisors vacate the conference room that they had occupied in SF's offices and return all access cards to Yosanda Chiang. On September 30, 2011 the cards were returned. In the context of the request tracker noted above, the room was no longer in regular active use by the IC Advisors.

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