

Company Name: Sino-forest Corp
Company Ticker: TRE CN
Date: 2011-06-01
Event Description: Forest Valuation Report
Discussion Call

Market Cap: 1,231.16
Current PX: 5.01
YTD Change(\$): -18.28
YTD Change(%): -78.489

Bloomberg Estimates - EPS
Current Quarter: 0.215
Current Year: 2.031
Bloomberg Estimates - Sales
Current Quarter: 386.500
Current Year: 2505.571

Forest Valuation Report Discussion Call

Company Participants

- Louisa Wong
- David J. Horsley
- Doug Parsonson
- Steve Croskery

Other Participants

- Sean Steuart
- Andrew M. Kuske
- Paul C. Quinn
- Ezra Gardner
- Charles Chang

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, good afternoon and good evening. My name is Michelle, and I will be your conference operator today. At this time, I would like to welcome everyone to the Sino-Forest Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks' there will be a question-and-answer session. [Operator Instructions].

Thank you. Ms. Louisa Wong you may begin your conference.

Louisa Wong

Thank you, Michelle. Thanks for joining us. Good morning and good evening. Thanks for joining us for the Pöyry Valuation of Sino-Forest's Forest Assets in China call. A release highlighting the summaries of the valuation report – the summary report was released last Friday, May 27th, together with three separate summary reports on our plans to purchase Mandra Forest that are available on Pöyry's Web site or via Sino-Forest Web site, concerning restatement affecting certain terms and conditions projects accessing such summary reports.

Now listeners should be aware about certain informations in this call may contain forward-looking statements which occur as of only today and are subject to risks and uncertainties. Market conditions or events predicted in these statements may differ materially from actual results or events due to multiple economic and other factors.

For additional information regarding these factors and business risks, please refer to the report filed by Sino-Forest on SEDAR at www.sedar.com. Sino-Forest disclaims any intention or obligations to update or revise any forward-looking statements. Unless otherwise indicated, all of the dollar amounts reported in this call are denominated in U.S dollar.

So, on this call today we have the [0691VR-E David Horsley] our Chief Financial Officer and Senior Vice President and, from Pöyry Forest Industry Consulting Limited and International Forestry Consulting firm, we have Doug Parsonson, Vice President and [001DLT-M Steve Croskery], Principal.

I will now turn over the call to [0691VR-E David Horsley] to provide you a brief summary of the report. Dave, please.

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David J. Horsley

Thanks, Louisa, and good morning and good evening, everyone. According to the recent 2010 Forest Asset Valuation protected by Pöyry, Sino-Forest, forest plantations under management in China increased 54% to approximately 788,000 hectares as of December 31, 2010, which includes approximately 147,000 hectares of Mandra Forest assets acquired in February of 2010.

The total net stock area valued by Pöyry was 754,816 hectares after excluding 33,884 hectares that were recently harvested located on land-leased pending planting or land allocated for biofuel, carbon credit development and other purposes. The single rotation analysis was based on a single rotation using a pre-tax discount rate of 11.5% which is unchanged from previous years.

Pöyry assumed approximately 85% of the log volume from the current rotation to be harvested over the next 10 years. This analysis includes only the revenues and costs associated with the existing tree inventory or current crop. This means the cost and revenue associated with replanting and harvesting of second and subsequent rotations are not considered. Pöyry also assumed the positive log supply and demand dynamics will continue the trend of real log price increases through the midterm.

Pöyry estimated that Sino-Forest total merchantable standing timber volume, as at year-end 2010, was 93.2 million cubic meters compared to 62 million cubic meters in 2009, representing a 50% increase in wood fiber. The volume increase was attributable primarily to the substantially increased tree area acquired during the year. The average yield per hectare of the Sino-Forest estate decreased 2% to 124 cubic meters per hectare in 2010. Pöyry reports that this change is primarily due to the fact that yields for both Chinese fir and Masson pine of the Mandra estate are lower on average when compared with equivalent age stands that are typical for the remainder of Sino-Forest's purchased plantations.

In contrast, Sino-Forest planted Eucalyptus yield is higher than in previous years. Data collected during 2010 shows the average total recoverable volume of six-year-old Eucalyptus stands has increased by approximately 11% to 141 cubic meters per hectare. This is equivalent to an average total standing volume of 175 cubic meters per hectare and compares with the highest volume recorded at a Sino-Forest plantation of 250 cubic meters per hectare.

These yield improvements have been calculated following analysis of the large amount of inventory data collected as part of the Strategic Inventory Program which Sino-Forest and Pöyry have been working on together during 2010. The Strategic Inventory Program data augments sampling undertaken as part of the field assessment plot that Pöyry had established and measured in 2008, 2009 and 2010. With Pöyry recognizing our improved yield for our planted Eucalyptus forests, we are ready to commit to large-scale replanting. Our plan is to plant up to 200,000 hectares over the next two to three years.

Meanwhile, we remain on track with executing our master agreements, and we still have approximately 700,000 hectares of trees available to acquire. We also announced on Monday, May 30, 2011 the signing of two new master agreements to acquire a total of approximately 266,000 hectares of plantation forests in Yunnan and Shaanxi over a period of 10 years with a capped fiber price of RMB320 per cubic meter.

Last year, we sold 17.6 million cubic meters of wood fiber, which exceeded our 2011 wood fiber output goal. We announced at our annual shareholders meeting this week, our new fiber output goal of 30 million cubic meters by year-ended 2013.

Despite Pöyry's changes in disclosure policy, we believe the summary reports provide our stakeholders and analysts with impartial and useful data to value Sino-Forest assets as well as information to understand the forestry industry in China.

I'll now turn the call over to Doug to briefly discuss Pöyry's recent decision regarding disclosure of valuation reports. Doug?

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Doug Parsonson

Okay, guys, and good morning, good evening to participants. As Dave mentioned and as we outlined in the reports that were produced, Pöyry has changed its internal protocols with respect to publishing of our reports, and this resulted from an internal review of a risk that's being conducted company-wide and, as part of that, the services being offered through the Management Consulting business were reviewed in the context of evaluating risk. And it was concluded that the publication of reports widely on the Web was no longer permitted.

Now as a consequence of that, we have worked with our clients and Sino-Forest is the first that has sought to use the report in this way. We've worked with our clients to devise a mechanism to release the reports while wiring the receivers of the reports to recognize and accept the disclaimers that are associated with the publication of those reports. So, the reports that have been put on the Pöyry Web site and the mechanisms through which you'll obtain those reports is an example of how we plan to go forward in the North American jurisdiction, Australia and also Mainland China. These areas were identified specifically as covering those regions where there was an increased likelihood of actions from third parties. Rest of the world will be handled on a case-by- case basis.

Thanks, Dave. Handing back to Louisa.

Louisa Wong

Thank you, Doug. Please note that we will first take questions from analysts and, if no further questions received, we would open the call for investors as well. So, may we suggest that each new caller limit their initial question to two to three minutes in maximum and after which they can reenter the queue. So, Michelle, can you please begin taking question?

Q&A

Operator

[Operator Instructions] And your first question come from the line of Sean Steuart from TD Newcrest. Your line is now open.

<Q - Sean Steuart>: Thanks. Good evening and good morning, everyone. Couple of questions, I guess for Doug. In the purchase plantation segmented valuation, you noted that Chinese fir 20-year yields had dropped to 105 cubic meters from 202. It's quite a big discrepancy. I guess maybe just explain a bit of what happened there.

<A - Steve Croskery>: Steve Croskery here. Would you like me to answer that?

<A - Doug Parsonson>: Well, please, Steve.

<A - Steve Croskery>: I haven't actually got that report open. But what we found with regards to the purchased forest estates, no, we're not saying that the average yield for Chinese fir, which is around 202 cubic meters per hectare, are recoverable at age 20. We're not saying that that on average has dropped to 105. What we're saying is that for the Chinese fir in Guizhou Province then we're now recognizing a much-reduced yield.

Previously, we had one generic yield table for Chinese fir but, as a result of the Strategic Inventory Program that's been implemented June 2010 and is ongoing, we now have a lot more data. And that data supplied to by us Sino indicated for Guizhou specifically that the yields were much lower than what we had previously forecast on a broader more generic basis.

What that data also showed was that for Hunan, where most of Sino's purchased forest Chinese fir is, that for Hunan and other provinces, the recoverable yield at age 20 was still 202 cubic meters per hectare. So, we're quite confident that that generic yield table applies for most of the estate, but we have reduced it for the Province of Guizhou in

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recognition of responding to the data and taking account of the data provided by the Strategic Inventory Program which, in general, provides us with a much better and an ongoing way, a much-improved description of the forest.

<Q - Sean Stuart>: Yeah, apologies, I meant to preface it with just Guizhou and, I guess, Guangxi as well you dropped the yields just for those two provinces.

<A - Steve Croskery>: Yeah, that's correct because...

<Q - Sean Stuart>: Yeah.

<A - Steve Croskery>: ...in Guangxi, we were familiar with previous work for Mandra, that gross of new wood of Chinese fir was lower, than the more central southern provinces of China.

<Q - Sean Stuart>: Does the reduction for the assumed yields on Chinese fir have implications for replanting yields with, whether it be Eucalyptus or other fast-growing high-yielding species in those two provinces?

<A - Steve Croskery>: Well, in Guizhou, Sino hasn't embarked on any replanting, significant replanting program, certainly not of Eucalypts. And whilst Eucalypts would grow in Guizhou, you'd be looking at colder climate, colder condition Eucalypts as opposed to the Grandis Urophylla crops that's typically planted and grows extremely fast in southern warmer, more humid climates of southern China, Guangxi and Guangdong in particular.

<A - David J. Horsley>: Maybe I can...

<A - Steve Croskery>: So, there are Eucalypts that would suit these conditions, but I'm not saying that they would grow as fast as those in Southern China.

<A - David J. Horsley>: Maybe, Sean, I can just comment to that further. Certainly Guizhou, when we entered into master agreement, the indication we gave for the market was the yields were in the 70 cubic meters to 110 cubic meters and so we certainly recognized that the plantations there were of a lower yield primarily driven by less trees, less number of trees on a per hectare basis, and that was really driving the lower yields. It's not a question of sort of growing conditions and with the right silviculture practices and so on, there is no reason why we won't be able to exceed the yields that are there historically from the trees that were planted on a much more sparse basis.

<A - Steve Croskery>: Yeah. I could actually confirm that because in our other work in China and in Guizhou, in particular Guizhou, we have measured Chinese fir that's been extremely high yielding. So, what they have said is correct in that it's not necessarily a reflection of sight, that previous management and silviculture. As I say, we've measured some extremely high yielding Chinese fir in Guizhou for other clients.

<Q - Sean Stuart>: Okay, and then just my second question, whether it be in the segmented planted plantations or purchased plantations, replanting costs, harvest costs, I guess in local currency terms you're showing increases, in general, from 15% to 20% year over year for costs. Can you talk a little bit about what you're assuming longer term in your forecast and your DCF valuation? And I gather you're still looking at real log price improvement of 1% to 3% a year, it looks like. Can you just talk a little bit more about the cost environment and some of the inflation that you surveyed this year?

<A - Steve Croskery>: Sure. The real cost increased that we're incorporating and assuming in the valuation go over a five-year period. And as you say, it's in the order of about 1% to 5% real over the next five years. And I think history does support that that's probably realistic. We didn't flatten them off from age – sorry from year five in the model thereafter, so we're not assuming ongoing real log price increases.

We are not assuming any real cost increases in terms of silver cultural costs and establishment costs and the like, but year by year we survey costs and we have found and, that's quite well known I think, that labor costs in particular but also fuel costs in China over the last year have increased quite significantly.

So, that's why we're seeing quite a significant increase in silvicultural costs. We're also seeing increases in harvesting costs. Those forest management costs establishment and silviculture for the purchased forest which is largely material with a weighted average age of about 25 years, those increases in silviculture and, in general, forest management and

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direct forest management costs have a negligible impact on the valuation of the current crop. But as you might be suggesting, they do impact on the economics of replanting.

<Q - Sean Steuart>: Okay, understood. Thank you.

Operator

Your next question comes from and line of Andrew Kuske from Credit Suisse. Your line is now open.

<Q - Andrew M. Kuske>: Thank you. Good morning or good evening as the case may be. I guess just my first question is more in general from a Pöyry perspective, what have really been the surprising trends in this year's version of valuation versus, say, past years? Is there anything that really stands out to you as being somewhat surprising?

<A - Steve Croskery>: Steve here again. Nothing especially surprising, really. We work our way through the process, analyzing data on growth and yields, obtaining aerial information from our client and getting other information on forestry costs and local prices. I guess, I mean, it's not surprising. But what's very significant is the very large increase in the area of the, if you like, the aggregate Sino estate this year as compared with last. But I mean, it's very significant but not surprising. I wouldn't say surprising. I think we know the way in which Sino operate. They move quickly and have grown very significantly over the last two or three years.

<Q - Andrew M. Kuske>: And then, really, if we looked at, say, details like the cost trends and the yields, those are really tracking your expectations on what you've been seeing in the past.

<A - Steve Croskery>: Well, yes, and we're feeling very happy, I guess you could say, more confident in our yield estimates, which are broad-based I would have to say and quite generic by necessity, really. As time goes on and we acquire more data and information from Sino via the Strategic Inventory Program that they have put in place this year and by access to the FMIS, the forest management information system, then forest description I say will become more sophisticated. That's good, but I'm not suggesting that that will remain, across the board, significant changes in yield. You'll see ups and downs, I think, as a result of the data that is being acquired.

<Q - Andrew M. Kuske>: And then finally, if I may, just on the yield issue. Obviously, your yield calculations, you said you've got greater confidence and it's becoming more sophisticated, how do you think about Sino-Forest's yields that they've delivered? And you've been doing this for multiple years with Sino-Forest. How do you look at Sino-Forest's yields, say, relative to other players within China where you may have done similar type work? And then outside of China, looking at yields and, I know it becomes a bit more tough to compare, but yields elsewhere in the world relative to what Sino-Forest has managed to accomplish?

<A - Steve Croskery>: Well I guess we have to be talking and, I suppose are you focusing particularly on the Eucalyptus because I guess that's really the only portion of the estate that you could say that Sino has managed to achieve with reference to growth in yield because, really, the rest of the forest is acquired and inherited and its growth and yield, or its yield I should say, is a reflection of at least, in part, historic management.

So, talking particularly about the Eucalyptus stake, I would have to say that I've been very impressed with the growth and yield of Eucalypts in Southern China and it would only be fair to say that Sino are doing a lot of things right. Their tree improvement strategy and practice is advanced. They have very high-tech laboratory and nursery practice in Guangdong Province. They transport their seedlings or their cuttings out to the planting site efficiently and in a way that minimizes transplanting shock.

They prepare the land, they cultivate the holes. It's very labor-intensive; they do that very well. They fertilize, they weed and the establishment and the early growth is very impressive. And I haven't seen any better. I've seen other operators who seem to achieve certainly as well, and I'm sure that is the case in China. So, it's a reflection of both sight and management and, in my opinion, Sino is doing things well.

<Q - Andrew M. Kuske>: Okay. That's very helpful. Thank you.

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<A - **Doug Parsonson**>: Andrew, perhaps if I could just add one more thing.

<Q - **Andrew M. Kuske**>: Yeah.

<A - **Doug Parsonson**>: You asked about comparison with elsewhere in the world, and I think Sino recognizes that there are opportunities to learn from other regions and this is an initiative that the company is following to tap into silvicultural methods and other practices employed elsewhere and bring those back to China and relate those to the China conditions and take advantage of the upside improvements that are possible through that.

Operator

And your next question comes from the line of Prakash Gupal Krishna from RBS Singapore. Your line is now open.

<Q>: Hi. Thanks for the call. I just had one question. If you looked at the overall valuation, the increase is about 36% year on year, but looking at the net tree area that's being valued at higher by about 54% and the standard timber volume was about 50% higher. Could you run us through what are the contributing factors behind the less-than-proportionate increase in the valuation; like what are the key factors and is there anything that stands out? Thanks.

<A - **Steve Croskery**>: Sure. And so you're saying that the increase in value is not in proportion to the increase in area?

<Q>: Yeah, and there could be various reasons in terms of the mix and any other options is there anything? Yeah.

<A - **Steve Croskery**>: That's quite correct. And there's a combination of factors that got in to the mix, I guess, that produce that result. Part of it is, as we talked about earlier, the recognition of lower yields for Chinese fir in Guizhou and also the lower yields, if you're talking about the aggregate estate, the lower yields for the Mandra estate but also within the Sino-Forest purchased estate, the acquisition of forest in Guangxi with lower yields than the previous average. So, it's a yield factor and it's also a cost factor. So, there has been significant increases in costs and harvestings, in particular, and cartage over the last year and so they're recognized in the model as well.

<Q>: Okay. Could you give us a sense for what would be the mix between the various factors? Would you be able to give us a sense – I mean how much of the difference will be due to the difference in yield and how much would be due to the difference in the costs?

<A - **Steve Croskery**>: Sure. Let me just – just got a file opened on my computer. Let me just turn to the particular tab. If you just give me a moment. Well, it's not necessarily a sort of a pure comparison of like with likes because what I've got here is an analysis of the purchased forest, which is in the order of about, let's say in round figures, 574,000 hectares.

As you know, we split the estate into three. But let's talk about the purchased forest, which is the big one and the most variable single chart. It's 574,000-odd hectares this year, and that compares with a combined estate that we valued last year of 491,000. That includes the Eucalypts last year which, this year, have been split out. But if I look at the overall yield per hectare that comes out of the model, then the average yield this year is 131 versus 137 last year.

Total costs starting with overall average gross revenue that – this is in RMB at the moment, RMB per cubic meter at mill gate, this year we're estimating that we're forecasting an average of 765 versus 691 of last year. And I can say that a significant part of that increase is the recognition of much higher price being paid for large hardwood logs which make up the majority of the volume being harvested in Yunnan Province.

So, there's a recognition – it's not a simple increase of – it's not a simple – well, it is an increase of about 11%. It takes specific recognition of, as I say, we're now recognizing significantly higher prices being achieved for the large hardwood log having broadly forest being harvested on a sustained yield basis.

And so we've got higher growth log prices overall. Our total costs between – our total costs of management including harvest on cubic meter basis this year is about 379 versus 318 last year. So, we end up with a gross increase in value

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per hectare or this is on a stumpage basis, it's now RMB386 per cubic meter, RMB386 per cubic meter, versus RMB372. But as you say, the area and the yield per hectare has reduced.

So, overall, even though area has increased by whatever percentage it is, the increase in value doesn't quite match that. So, I guess in summary, it's a combination of overall reduction in yield per hectare and increases in costs compensated somewhat by increases in gross revenue or gross price per cubic meter.

<Q>: Okay. And the overall reduction in yields, again, due to a mix, not due to any – it's not a like- for-like reduction in yield, right?

<A - Steve Croskery>: But it is not really much [indiscernible] numbers that I gave you and [indiscernible].

<Q>: Yeah.

<A - Steve Croskery>: [indiscernible] from the combined estate that we valued last year in terms of looking at the yield per hectare. But comparing this year's purchased forest of 574,000 hectares odd with last year's total estate of 491,000, what comes out of the model is a slightly reduced yield per hectare.

<Q>: Okay. Thank you. Thanks.

<A - Steve Croskery>: Okay.

Operator

And your next question comes from the line of Paul Quinn from RBC Capital Markets. Your line is now open.

<Q - Paul C. Quinn>: Yeah, thanks very much and good day to all. I got on late so you might have answered this, but I just want to understand the amount of time and people that you guys had on the ground and how many plots or what was your sampling methodology on the valuation?

<A - Steve Croskery>: This year, we had four people on the ground for about six days, so we had 24 man days, and that was looking at both the purchased forest; we focused our attention in Guangxi Province. And the reason for that was that they've been a significant increase in the purchased estate in Guangxi Province and I was aware that, certainly, yield of China – and most of that was Chinese fir and I was aware that Chinese fir, from previous experience, that growth in yield of Chinese fir in Guangxi was typically lower than the rest of the forest that we actually wanted to have a look at the [indiscernible]. And we also had a team of two guys who spent a week in Northern Guangxi looking at the planted forest. So, we had 24 man days or thereabouts.

Just have many plots we put in, I don't recall exactly, but it wasn't a great number. But what we have been doing is a part of this work that we're involved with Sino on the Strategic Inventory Program and they've done, I think it's more than 1,000 plots actually, over this past year. In fact, it's about probably in the area of about a seven-month period from about June or July last year. They've established and measured about 1,000 plots. That data was made available to us.

We have done periodic quality control of that inventory work for them, so we're feeling comfortable that the data is reasonable and, so where it was, we ourselves simply do not have the time to do a large sample at all. We're now getting a lot of data which we're feeling much more comfortable and confident with. Does that answer your question?

<Q - Paul C. Quinn>: Yeah, I think. Let me sum it up and see if I got it here. It sounds like it's a little bit light in terms of man days with respect to other valuations that you would have done. But because of this silviculture – sorry, the Strategic Inventory Program and the data that you've done there, you feel comfortable overall.

<A - Steve Croskery>: Yes, we did. And unfortunately, the timing of this year's program was between the Western Christmas/New Year holiday break and the Chinese New Year holiday break. So, we had to squeeze in what we could when we could. This year, as part of this year's valuation, which we are already starting to give out, we are hoping to get the field work underway in November or, at the very latest, December, so that should give us a longer period of time.

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But I have to add that our focus will be changing. We will still be doing certainly some field work. We'll be going out to look at the trees to verify their existence that their species and apparent age matches the data [indiscernible] provide us with. But we will also be doing a lot more work on costs and log prices and, in particular, harvest-related costs. Now that we have this big inventory program underway and we're involved with periodic quality control, it really means that Pöyry can do less inventory, if you like, of its own which is the way that we typically operate in other countries where the general description of growth and yield is better

<Q - Paul C. Quinn>: Great. Thanks very much.

Operator

And your next question comes from line of Timothy Bush from Bank of America of Merrill Lynch. Your line is now open. And Mr. Timothy Bush, your line is now open.

Your next question comes from the line of Ezra Gardner from Omnium. Your line is now open.

<Q - Ezra Gardner>: Hi. Does your work include verification of ownership of the plots that you go and see? Thank you.

<A - Steve Croskery>: No, it does not and we try and make that reasonably clear in our reports. Our project is a valuation and we rely on information provided by the client as to the area of forests that they hold and that they own. So, it's not a due diligence. We don't get involved with verification of ownership.

<Q - Ezra Gardner>: And do you select the plots to view yourselves?

<A - Steve Croskery>: Yes, we most certainly do and we do that on the basis of a description of the forest area owned that is provided to us by – and that in itself is a big job for Sino to put that together because it's such a dynamic estate. But they provide that to us, and then we look at that in relation to the previous year's holdings and what we had looked at in the past and then we decide on where will we go this year. So, most definitely we do select where we will go.

<Q - Ezra Gardner>: Okay. Thank you.

Operator

Your next question comes from the line of Charles Chang from Credit Suisse. Your line is now open.

<Q - Charles Chang>: Hi. Good morning and good evening. Just a rather simple question, and I've been asked this a number of times but I'm not sure if I have a good answer for it. What, in your judgment, is the most reliable number to use in terms of market share for Sino-Forest in terms of production and as well as holdings of forestry assets; I guess production in terms of volume of fiber produced and holdings in terms of forestry assets either by hectare or by volume. And, well, actually I'd like to go with that one first.

<A - Doug Parsonson>: Steve, maybe if I can step in here. We really don't measure that as part of this exercise and I would say that, in terms of the production, Sino is obviously a very important player in some jurisdictions and less so in others. But we really don't measure it quite in that sense.

<A - Steve Croskery>: I'll make one comment here, but then Dave may like to comment on that in a general sense. But just in terms of your question in terms of the valuation and the model and the description that we have with the forest, we rely largely on the area statement provided to us by the client, and we state that in our report.

What we do is sometimes and, we have done it this year, a verification of the area, but it's not a wholesale or large-scale verification of the area. What it is is that for the parts of the estate that we visit, we obtain maps. We obtain, whilst we're out there, GPS data and we provide that to our remote sensing group who then look at the forest from satellite imagery and map that forest and compare their maps in terms of shape and stocked area with what is stated by

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Sino for those particular areas.

And there are ups and downs and, that's not uncommon, but generally, I don't have the number at my fingertips, but I think it's actually in both the planted and the purchased forest summary report. But for the very, very small sample, it appears that, overall, the mapping accuracy in the area statement for those particular areas is good and, if you like, is accurate. So, what Pöyry is measuring by satellite imagery is very close to what the client is telling us is in those particular areas.

As far as growth and yield of the forest is concerned and, therefore, the wood flow and volume production, I mean, I feel quite confident that the yield tables that are part of our forest description and, obviously, feed into the forest estate model that we run and then feed out of that, if you like, in terms of the wood flow. I'm quite confident that they are a reasonable estimate of the potential wood flow. And we look at things in terms of total recoverable volume because that's what salable; that's what generates revenue.

And I'm pretty confident that we've got a good picture, and it will continue to improve. And we're still applying the 11.5% discount rate that's been applied for quite a number of years. As the forest description improves and as we get more data from Sino over the years from the inventory program and we get more and better information in support of the forest description and the forestry model and the valuation and total, then it's likely that that will influence our thinking on the discount rate.

<A - David J. Horsley>: Maybe I'll just comment on the general question about market share either in terms of cubic meters or number of hectares. I think it does depend on how you define the market from our perspective. While there may be 50 million hectares of plantations in China, who we look it as, sort of, 30 million of commercially viable hectares of which we hold 788,000 hectares, or between 2% or 3%, or we have the rights to acquire another roughly 700. So, it puts us about 1.5 million which is about 5% of the 30 million commercially viable, so somewhere between 2% and 3% for what we've got, up to 5%, once we're finished acquiring into the master agreement.

In terms of cubic meters of fiber delivered to market compared to market consumption, again, there's different numbers that you can look at. You can look at, sort of, total fiber consumed in China to be somewhere in the 450 million to 500 million cubic meters which puts you around the 3%. If we're doing 17 million cubic meters, 3% to 4%. If you then break that 450 million to 500 million down and, say, consumption of round with logs or wood product logs, that number might go from 450 million, 500 million, down to 250 million, 300 million, and so we might be 5% to 6% of the market. But it really does depend on how you want to define that market as to what percentage we are. But we feel we're somewhere in the 5% of either hectares or cubic meters of fiber consumed in the market versus what we deliver.

<Q - Charles Chang>: Okay. Thank you very much.

Operator

And your next question comes from the line of John Agair from Pawblau Capital. Your line is now open.

<Q>: Hi, thank you very much for the call. I just had a question on the disclaimer, actually, of Pöyry. It says here number six, the summary that Pöyry provides to you is strictly confidential. Does that mean that this is not public information, as a shareholder, if I click on this, that I'm all of a sudden in possession of non-public information?

<A - David J. Horsley>: Well, from a sale-of-forest disclosure perspective, we've had, obviously, discussions with our legal counsel and access is given to that Web site to any shareholder or to anybody in the public. And so from that perspective, we have met any obligations in terms of disclosure because it is provided to anyone who wants to access it.

The fact that you go through and sign a disclaimer, it doesn't, from our perspective, violate any disclosure rules. You've chosen to sign off on the disclosure, and anyone can do that and can get access to it. So, from a legal perspective, we've done what we need to do. Whether or not from your perspective if you're in possession of confidential information and have obligations and restrictions around that, then that's something that you need to ask your own legal counsel.

Company Name: Sino-forest Corp
Company Ticker: TRE CN
Date: 2011-06-01
Event Description: Forest Valuation Report Discussion Call

Market Cap: 1,231.16
Current PX: 5.01
YTD Change(\$): -18.28
YTD Change(%): -78.489

Bloomberg Estimates - EPS
Current Quarter: 0.215
Current Year: 2.031
Bloomberg Estimates - Sales
Current Quarter: 386.500
Current Year: 2505.571

<Q>: Okay. I thought it was the obligation actually of the company to make – I mean, this is a public call and if it's a public Web site, I thought it was actually the obligation – well, all right. In your opinion, if I do click on it, can I continue to trade in the stock?

<A - David J. Horsley>: Absolutely.

<Q>: Okay. Thank you.

Operator

And your next question comes from the line of Andy Lief from Yorkshire. Your line is open.

<Q>: Yes, hello. I was going to – I had a question for Pöyry. When you said that you use GPS mapping and you use satellite imagery to check maps that you're provided, what percentage of the total area of forest does that represent? Because I remember you said very small. So, I just wanted to check and see how much you guys actually view.

<A - Steve Croskery>: Yes, it's extremely small and, what we do, is we focus – as I said, what we do is focus on the area that we actually visit. And so the area that we assist this year that was met and compared with the – sorry that was where we compared satellite imagery information with the mapping information was about 0.1 of 1% of the forest assets. So, it's extremely small, and we are not holding out that this is a verification of the total area of the forest estate. We rely, as we say in the report, we rely on the information on that provided by the clients. It's not a due diligence. It's a valuation.

<Q>: Right. But how could you form a decent valuation with a sample size that's that small? I just – I mean, oftentimes when performing valuation work, you might see, like, 10% sample size or something like that. I just think it would be very difficult to extrapolate a view of the entire asset with such a small sample size with any decent confidence.

<A - Steve Croskery>: Sure, and what you say is true and, what I say is that we rely on the information provided to us in terms of what the company owns in terms of forest. To do a 10% assessment of that would be a large task. It most certainly could be done. It would be quite expensive, and it's more in line with in nature of due diligence exercise.

We accept, as I say, what the owner says to us there in terms of the forest estate and then we go about sampling that, visiting various parts of it progressively over the years as we can. It's a dynamic resource; it's changing. We estimate growth in yield from what we see and what we measure in the data that we acquire from them, so we, if you like, we focus on growth and yield from the forest. We focus on forestry costs and harvesting costs. The upturn in terms – that yield in terms of log grades on age and we generate a wood flow that we rely on the area estimates, largely rely on the area estimates provided by the client.

<Q>: Okay. And just in the interest of time, I'll move to a couple more questions. One is during AGM, I saw that the company said that Pöyry sends a team that spends four weeks to six weeks in the field for the purposes of this exercise. But earlier you said it was four people for a total of six days, I believe. So, I wanted to clarify just which one is accurate, first of all? And then the second question is how much does Sino-Forest compensate Pöyry for the production of these reports?

<A - David J. Horsley>: Steve, let me comment on both those questions. Both of the numbers that were quoted were the same. If you read the AGM script, it said four to six man weeks, which, if five days are in a man week, that's somewhere between 20 and 30 days in the field. I think Steve quoted something in the 24 days, so those numbers are absolutely consistent. And secondly, the fee that we pay to Pöyry is not something that is disclosable or that we're prepared to disclose. It doesn't really have a bearing on anything.

<Q>: Well, I would think it would have a bit of bearing on their independence, I mean, especially since one of the former Pöyry guys is now a consultant to you via [Cavalry] Capital or something like that?

<A - David J. Horsley>: I think that Pöyry does their independence checks and we pay them fees for, not only the valuation, but for the Strategic Inventory System, for the FMIS. We pay them to do consulting work for a number of

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different engagements; the replant program they're working with us on that. So, in terms of their independence, you can ask Doug the procedures they go through for their independence. I don't think the amount of fee has anything to do with that.

<Q>: Well, I would think that if they're receiving a fee from you, they're basing their estimates entirely upon data that you're giving them and then they're issuing a pretty powerful disclaimer for not wanting to publicize their findings. So, they're asking for a fair degree of insulation against being called to task for the content of the report.

So, I would think that the amount they're being compensated is rather relevant. I mean, I assume they would ask how much S&P and Moody's were being paid when they're rating subprime, so I want to know how much Pöyry is being paid to basically verify your resource.

<A - Louisa Wong>: Well, the fact is that S&P actually does not – I mean, these rating agency does not disclose the fee that we pay them as well, right?

<Q>: They did when they were testifying before the Financial Services Committee.

<A - David J. Horsley>: Suffice it to say it's the six-digit figures, and that's all I'm prepared to say.

<Q>: Okay, thank you.

<A - David J. Horsley>: Thank you.

Operator

And there are no further questions in queue. I turn the call back over to the presenters.

Louisa Wong

Thank you, Michelle. I would like to thank Doug and Steve, consultants from Pöyry, and all participants for participating in today's conference call. A replay of this call will be available in the next couple of hours, and a transcript of this call will be also be available within the next couple of days. It will be found on Pöyry's Web site accessed by Sino-Forest's website. Meanwhile, if you have any further questions, feel free to contact either myself or Dave Horsley. Thank you again. Good-bye.

David J. Horsley

Thank you.

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