

TAB C

*This is EXHIBIT "C" Referred to in the
Affidavit of
MIKE P. DEAN*

Sworn the 11th day of January, 2013

A handwritten signature, appearing to be "Mike P. Dean", written in dark ink. The signature is somewhat stylized and is positioned above a horizontal line.

A Commissioner For Taking Affidavits (or as may be)

Court File No. CV-12-9667-00-CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES CREDITORS'*
ARRANGEMENT ACT, R.S.c. 1985, C.c-36, AS AMENDED

AND IN THE MATTER OF PLAN OF COMPROMISE OR
ARRANGEMENT OF SINO-FOREST CORPORATION

Applicant

APPLICATION UNDER THE *COMPANIES CREDITORS'*
ARRANGEMENT ACT, R.S.C. 1985, c.C-36, AS AMENDED

**Proof of Claim against
Sino-Forest Corporation
of Ernst & Young LLP**

Volume 1

INDEX

**PROOF OF CLAIM AGAINST
SINO-FOREST CORPORATION**

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TAB A

PROOF OF CLAIM AGAINST SINO-FOREST CORPORATION

1. Original Claimant Identification (the "Claimant")

Legal Name of Claimant: Ernst & Young LLP

Name of Contact: Doris Stamml

Address:

Title: Chief Legal Counsel

Ernst & Young LLP
222 Bay Street, P.O. Box 251
Ernst & Young Tower, 21st Floor

Phone #: 416-943-3039

City: Toronto

Prov / State: ON

e-mail: doris.stamml@ca.ey.com

Postal/Zip code: M5K 1J7

2. Assignee, if claim has been assigned

Full Legal Name of Assignee _____

Name of Contact _____

Address _____

Phone # _____

Fax # _____

City _____ Prov / State _____

e-mail _____

Postal/Zip code _____

3a. Amount of Claim

The Applicant was and still is indebted to the Claimant as follows:

Currency	Original Currency Amount	Unsecured Prefiling Claim	Restructuring Claim	Secured Claim
<u>CDN</u>	<u>\$7,154,200,000.00,</u> <u>plus all not yet</u> <u>quantified/unknown</u> <u>amounts as set out in</u> <u>Schedule "A1"</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>USD</u>	<u>\$1,805,000,000.00,</u> <u>plus all not yet</u> <u>quantified/unknown</u> <u>amounts as set out in</u> <u>Schedule "A1"</u>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3b. Claim against Subsidiaries

If you have or intend to make a claim against one or more Subsidiaries which is based in whole or in part on facts, underlying transactions, causes of action or events relating to a claim made against the Applicant above, check the box below, list the Subsidiaries against whom you assert your claim, and provide particulars of your claim against such Subsidiaries.

I/we have a claim against one or more Subsidiary
Name(s) of Subsidiaries:

See Schedule B for a list of all subsidiaries claimed against

CDN and USD

Currency

Original
Currency Amount

Amount of Claim

All amounts claimed in Schedule "A1" are also claimed against the entities listed in Schedule B.

All amounts claimed in Schedule "A1" are also claimed against the entities listed in Schedule B

Ernst & Young LLP reserves all rights as against those entities listed on Schedule "B", including for greater certainty all direct and indirect subsidiaries of Sino-Forest Corporation. Ernst & Young LLP has described its current claims against subsidiaries without prejudice to the fact that such claims may be asserted or amended at a later time.

4. Documentation

Provide all particulars of the Claim and supporting documentation, including amount, and description of transaction(s) or agreement(s), or legal breach(es) giving rise to the Claim.

See Schedule "A2" plus all documents appended thereto.

5. Certification

I hereby certify that:

1. I am the Claimant, or authorized representative of the Claimant.
2. I have knowledge of all the circumstances connected with this Claim.
3. Complete documentation in support of this claim is attached.

Name Doris Stamm

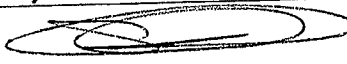
Title: Chief Legal Counsel

Dated at Toronto
this 20th day of June, 2012

Signature



Witness



6. Filing of Claim

This Proof of Claim **must be received by the Monitor by no later than 5:00 p.m. (prevailing Eastern Time) on June 20, 2012**, by registered mail, courier, personal delivery or electronic or digital transmission at the following address:

FTI Consulting Canada Inc.
Court-appointed Monitor of Sino-Forest Corporation
TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Attention: Jodi Porepa
Telephone: (416) 649-8094
E-mail: sfc@fticonsulting.com

An electronic version of this form is available at <http://cfcanada.fticonsulting.com/sfc>.

TAB 1

SCHEDULE "A1"
CLAIM OF ERNST & YOUNG LLP AGAINST SFC AND SUBSIDIARIES

1. Breach of contract:

- (a) damages in an amount yet to be quantified as more particularly set out in Schedule "A2"; and
- (b) costs and interest.

2. Negligent misrepresentation:

- (a) damages in an amount yet to be quantified as more particularly set out in Schedule "A2"; and
- (b) costs and interest.

3. Fraudulent misrepresentation:

- (a) damages in an amount yet to be quantified as more particularly set out in Schedule "A2"; and
- (b) costs and interest.

4. Inducing Breach of Contract:

- (c) damages in an amount yet to be quantified as more particularly set out in Schedule "A2"; and
- (d) costs and interest.

5. Reputational Loss:

- (a) damages in an amount yet to be quantified as more particularly set out in Schedule "A2"; and
- (b) costs and interest.

6. Contractual indemnification in respect of any amounts paid or payable by Ernst & Young LLP in respect of:

- (a) The action in Ontario Superior Court of Justice Court File No. CV-11-43115300CP (only as the Court permits):
 - (i) damages claimed in the amount of up to CDN \$7,149,200,000.00;
 - (ii) damages claimed in the amount of up to USD \$1,805,000,000.00;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in this proceeding; and
 - (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.
- (b) The action in *Quebec Superior Court* File No. 200-06-000132-111 (only as authorized and given representative status):
 - (i) unknown and unquantified damages in Canadian dollars;
 - (ii) unknown and unquantified damages in U.S. dollars;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the above-mentioned proceeding; and

- (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.
- (c) The verified complaint in *Supreme Court of the State of New York*, County of New York – Index No. 650258/2012:
 - (i) unknown and unquantified damages in Canadian dollars;
 - (ii) unknown and unquantified damages in U.S. dollars;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the above-mentioned proceeding; and
 - (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to its defence of the above-mentioned proceeding.
- (d) Other Proceedings (as defined in Schedule “A2” to this Proof of Claim):
 - (i) unknown and unquantified damages in Canadian dollars;
 - (ii) unknown and unquantified damages in U.S. dollars;
 - (iii) any unknown amounts not yet pleaded or quantified (including interest and costs) against Ernst & Young LLP in the Other Proceedings; and
 - (iv) any amounts incurred or to be incurred by Ernst & Young LLP with respect to the Other Proceedings.
- (e) In respect of claims (a)-(d) above, to the date of this proof of claim, Ernst & Young LLP has incurred legal and related costs of approximately \$5,000,000 and continues to incur costs.

7. Contribution and indemnity under the *Negligence Act*, R.S.O 1990, c. N-1 and any other applicable legislation outside of Ontario in respect of the actions and other proceedings listed in 6 (a)-(d) above and for the costs set out in 6 (e) above.

TAB 2

SCHEDULE "A2"

THE CLAIMANT AND BACKGROUND TO THIS CLAIM

1. Ernst & Young LLP ("E&Y") is a firm of chartered accountants carrying on business in Canada as a limited liability partnership. E&Y delivered Auditors' Reports with respect to the consolidated financial statements of Sino-Forest Corporation ("SFC", the "Applicant" or the "Company") for fiscal years ended December 31, 2007-2010 inclusive and with respect to the consolidated financial statements of two of SFC's subsidiaries (Sino-Wood Partners, Limited and Sino-Panel (Asia) Inc.) for fiscal years ended December 31, 2007 and 2008. From time to time, E&Y consented to the incorporation by reference of its Auditors' Reports with respect to the consolidated financial statements of SFC in certain prospectuses and debt offering memoranda of the Company. In addition to audit services, E&Y also provided other professional services to SFC and its direct and indirect subsidiaries (the "SFC Subsidiaries"). Where contextually appropriate, SFC shall refer to SFC and the SFC Subsidiaries unless otherwise noted. E&Y resigned as SFC's auditor effective April 4, 2012.

2. E&Y claims as against SFC and the SFC Subsidiaries for:

- (a) Claims against each of SFC and the SFC Subsidiaries for damages relating to:
 - (i) Breach of contract;
 - (ii) Negligent misrepresentation;
 - (iii) Fraudulent misrepresentation;
 - (iv) Inducing breach of contract (as against the SFC Subsidiaries only);

- (v) Injury to Reputation; and
- (vi) Vicarious Liability;
- (b) Contractual indemnity, pursuant to E&Y's engagement letters, as described further below; and
- (c) Contribution and indemnity under the *Negligence Act*, R.S.O 1990, c. N-1 and other applicable legislation outside of Ontario (the "*Negligence Act*").

3. The relationship between E&Y on the one hand, and SFC, the SFC Subsidiaries and their respective directors and officers on the other, was at all material times at arm's length. E&Y contracted with SFC to provide it with auditing services upon terms established by a series of engagement letters (the "Engagement Letters") for 2007 through and including 2010, attached as Schedule C1.

4. Management of SFC and the SFC Subsidiaries was and is responsible for the preparation and fair presentation of SFC's consolidated financial statements, which SFC prepared and issued, and contracted with E&Y on behalf of SFC and the SFC Subsidiaries to audit. Management was responsible for the preparation of those consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"), and for such internal controls as management determined were necessary to enable the preparation of consolidated financial statements that were free from material misstatement, whether due to fraud or error. The Board of Directors of SFC approved the consolidated financial statements. The consolidated financial statements were accompanied in all cases by representations from management.

5. E&Y's responsibility was to express an opinion on those consolidated financial statements based on its audits conducted in accordance with Canadian generally accepted auditing standards ("GAAS").
6. E&Y had a direct professional relationship with SFC and with each of the SFC Subsidiaries (more particularly described as SFC and, as at December 31, 2010, those entities set out in the Corporate Organization Chart at Schedule "C10").
7. E&Y as auditor of SFC did not have any relationship with the equity or debt holders of SFC in their capacity as security holders of SFC. E&Y was not a shareholder, other equity holder or a holder of funded debt of SFC or any SFC Subsidiary.
8. At all relevant times, E&Y provided services to SFC and the SFC Subsidiaries upon pre-established contractual terms with the expectation of receiving fees for the professional services rendered, dependent in no way on the Company's financial performance.
9. E&Y's Auditors' Reports in respect of the financial statements for the fiscal years ended December 31, 2007 to 2010 were prepared for the purposes set out in the *Business Corporations Act (Canada)*. Although incorporated by reference (as required by applicable securities laws) into prospectuses filed by SFC, E&Y's Auditors' Reports were not prepared for that purpose.
10. E&Y's claims against SFC and the SFC Subsidiaries are:
 - (a) Creditor claims;

- (b) Derived from E&Y's retainers by and/or on behalf of SFC and the SFC Subsidiaries and E&Y's relationship with such parties, all of which are wholly independent and conceptually different from the claims advanced by the plaintiffs on behalf of the Interested Parties (as defined below);
- (c) Claims that include the costs of defending and responding to various proceedings, both pre- and post-filing; and
- (d) Not equity claims in the sense contemplated by the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36. Equity holders of SFC have not advanced, and could not advance, any claims against the SFC Subsidiaries. Restructuring legislation (and jurisprudence) in the jurisdictions of incorporation of the relevant subsidiaries does not provide for subordination of these claims to the claims of other unsecured creditors.

PROCEEDINGS AGAINST E&Y

11. E&Y has been named as a defendant in various legal proceedings in connection with the services that it provided to SFC. The plaintiffs in these actions, on behalf of current and past holders of SFC's securities (collectively the "Interested Parties"), seek to have the actions certified as class proceedings under the relevant legislation. None of the actions has been certified and leave is required for certain of the relief sought. Current proceedings in which claims are advanced against E&Y are:

- (a) an action in the Ontario Superior Court of Justice titled *Trustees of the Labourers' Pension Fund of Central and Eastern Canada et al. v Sino-Forest Corporation et al.* bearing Court File No. CV-11-431153-00CP, in which the plaintiffs seek

damages of approximately \$9.2 billion in the aggregate on behalf of resident and non-resident Interested Parties;

(b) an action in the Quebec Superior Court titled *Guining Lui v Sino-Forest Corporation et al.* bearing Court File No. 200-06-000132-111, in which the plaintiffs seek unquantified damages likely on behalf of Quebec resident Interested Parties; and

(c) an action in the Supreme Court of the State of New York titled *David Leopard and IMF Finance SA et al. v. Sino-Forest Corporation et al.* bearing Court Index No. 200-06-000132-111, in which the plaintiffs seek unquantified damages on behalf of Interested Parties who purchased shares over the counter (“OTC”) in the United States, and noteholders;

(collectively, the “Class Actions”).

12. E&Y is exposed to further proceedings, including those that may be commenced in the future in connection with the services performed for SFC (the “Other Proceedings”).

13. The Class Actions include allegations that the financial statements of SFC contain material misstatements, and that E&Y misrepresented that SFC’s reporting was in accordance with GAAP and that E&Y had conducted its audits in accordance with GAAS.

14. The claims advanced against E&Y in the Class Actions are in fact and in law distinct and different from the claims advanced as against SFC and its directors and officers, employees and/or agents.

15. On May 22, 2012, following an investigation by Staff of the Ontario Securities Commission (the "OSC"), the OSC released a Statement of Allegations that included allegations that SFC and certain of its former directors and officers engaged in a complex fraudulent scheme to inflate SFC's assets, dishonestly concealing their control over certain related parties, falsified evidence of ownership and dishonestly concealed weaknesses in internal controls within SFC.

16. The OSC Statement of Allegations states that E&Y, as auditors, "were not made aware of Sino-Forest's systematic practice of creating deceitful Purchase Contracts and Sales Contracts, including key attachments to these contracts," and that SFC and certain of its directors and officers "knew or ought to have known that their auditors during the Material Time relied on the validity" of certain allegedly deceitful documents and information. (See paragraphs 19 and 81 of the Statement of Allegations.)

17. To the extent that the allegations of the OSC are proven true and there are misstatements contained in SFC's consolidated financial statements, such misstatements are the result of negligence and/or fraud on the part of SFC and/or the SFC Subsidiaries and/or their respective directors, officers, employees and/or agents (or certain of them) and constitute a breach of contract by them of the express terms of the Engagement Letters or inducing breach of contract, among other wrongs.

E&Y'S CLAIMS

18. E&Y has incurred losses, costs and expenses and is exposed to further and additional losses, costs and expenses as described in this Proof of Claim. E&Y claims as against SFC and the SFC Subsidiaries in respect of:

- (a) Claims against SFC for:
 - (i) Breach of contract (including but not limited to breach of contractual terms including contractual representations);
 - (ii) Negligent misrepresentation;
 - (iii) Fraudulent misrepresentation;
 - (iv) Injury to reputation; and
 - (v) Vicarious liability;
- (b) Claims against the SFC Subsidiaries for the same relief in (a) (i) – (v) above, as well as for inducing breach of contract;
- (c) Contractual indemnity; and
- (d) Contribution and indemnity under the *Negligence Act* and any other applicable legislation outside of Ontario.

(a) **Claims Against SFC**

19. E&Y asserts claims for damages and restitution in respect of: (i) breach of contract; (ii) negligent misrepresentation; (iii) fraudulent misrepresentation; (iv) reputational loss; and (v) vicarious liability.

20. E&Y has suffered and will continue to suffer the damages set out below.

21. E&Y performed auditing services for SFC and the SFC Subsidiaries pursuant to contracts – formal engagement letters which, together with E&Y’s General Terms and Conditions for Audit and Review Engagements (incorporated by reference into the Engagement Letters), constituted the terms of these engagements.
22. E&Y’s retainer, according to its express terms, was to audit and report on the consolidated financial statements of SFC. In accordance with Canadian professional standards, financial statements are to be consolidated when an auditor is reporting on the financial statements of a company having one or more subsidiaries.
23. The Engagement Letters in all years generally reflect the agreement of SFC that, among other things:
- (a) The audit would be conducted in accordance with Canadian auditing standards. Those standards require that E&Y comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error;
 - (b) There are inherent limitations in the audit process, including the use of judgement and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud or illegal acts. Accordingly, there is some risk that a material misstatement of the consolidated financial statements may remain undetected; and

- (c) Management and, where appropriate, the Audit Committee, acknowledge and understand that they have responsibility for the preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with GAAP and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements and unaudited interim financial information that are free from material misstatement, whether due to fraud or error.

24. The Engagement Letters reflect the following, the wording of which did not vary materially from year to year, setting out management's responsibilities in connection with the consolidated financial statements:

"The preparation and fair representation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the Company. Management is also responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

The design and implementation of internal controls to prevent and detect fraud are the responsibility of the Company's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of a fraud. Management of the Company is responsible for apprising us of all known instances of fraud or suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and for providing us full access to information and facts relating to these instances and allegations, and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could

have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/client privilege or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. (...)

Management of the Company is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; and information regarding all related parties and related party transactions. (...)"

25. E&Y entered into separate engagement letters with SFC in connection with each prospectus and debt offering memoranda which incorporated E&Y's audit report by reference (the "Offering Engagement Letters"). Pursuant to each of the Offering Engagement Letters, SFC undertook that:

"Management of the Company and the underwriter bear the primary responsibility to ensure the prospectus [or the offering memorandum, as the case may be] contains no misrepresentations."

26. Those Offering Engagement Letters are attached to this Proof of Claim at Schedule "C2".

27. In each year, E&Y's audit team included junior and senior members who spoke Mandarin and/or Cantonese and who read Chinese.

(I) Breach of Contract

28. If the claims in the Class Actions and Other Proceedings are proven, SFC breached its contractual obligations, as set out in the Engagement Letters at Schedule "C1" and outlined above.

29. On May 22, 2012, the OSC publicly alleged that SFC and certain of its directors and officers engaged in a complex fraud meant to inflate the value of SFC's assets. If the OSC's allegations are proven true, SFC would have committed an egregious breach of the express terms of the Engagement Letters.

30. The OSC allegations include the following:

- (a) SFC dishonestly concealed its control over certain suppliers, customers and other parties with whom it had significant levels of business transactions and misstated the true economic substance of certain of those transactions in its financial disclosure;
- (b) SFC used a dishonest process to create documents to evidence ownership for the vast majority of timber holdings; and
- (c) SFC's disclosure of various weaknesses in internal controls was misleading, untrue and incomplete.

31. The OSC stated that SFC failed to disclose the alleged deceitful documentation process to E&Y. In that regard, the OSC observed in the Statement of Allegations:

"19. During the Material Time, Sino-Forest's auditors were not made aware of Sino-Forest's systematic practice of creating deceitful Purchase Contracts and Sales Contracts, including key attachments to these contracts."

32. The OSC stated that SFC and its executives knew or should have known that E&Y relied upon the allegedly deceitful financial information. In that regard, the OSC stated as follows in the Statement of Allegations:

“81. Sino-Forest, Overseas Management and Horsley knew or ought to have known that their auditors during the Material Time relied on the validity of the Purchase Contracts and their attached Confirmations as proof of ownership of Sino-Forest’s Standing Timber assets.”

33. If proven true, the OSC allegations indicate that SFC breached its contractual obligations to E&Y under the Engagement Letters by failing to ensure the accuracy of financial information and failing to ensure that management of SFC and the SFC Subsidiaries maintained adequate internal controls to prevent material misstatements.

34. If proven true, SFC’s failure to disclose its allegedly deceitful documentation practices to E&Y would constitute a direct breach of SFC’s obligation to disclose known instances of fraud, or suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties to E&Y.

35. In addition to its common law claims for damages, E&Y is indemnified contractually by SFC and its liability limited in respect of losses, damages, costs and expenses, including legal fees and expenses, incurred in respect of E&Y’s Services, as defined in the Engagement Letters. As set out in more detail below, E&Y claims indemnification in respect of the Class Actions and Other Proceedings.

(II) and (III) Negligent and Fraudulent Misrepresentation

36. In performing its audit work in connection with the consolidated financial statements for fiscal years ended December 31, 2007 to 2010, E&Y relied in good faith on (among other things) representations, documents, information and reports provided by SFC and the SFC Subsidiaries.

37. As expressly stated in the 2010 Auditors' Report and the Engagement Letters, management was responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian GAAP, and for such internal controls as management determined were necessary to enable the preparation of consolidated financial statements that were free from material misstatement, whether due to fraud or error. E&Y relied on management of SFC and the SFC Subsidiaries, including management's representations and warranties and the information in the accounts of SFC and the SFC Subsidiaries, in carrying out its work.

38. Examples of representations made by SFC during the 2007 to 2010 audits include:

- a) Management Representation Letters;
- b) D&O Questionnaires;
- c) Compliance with the Code of Conduct and Whistleblower Policy;
- d) Legal opinions delivered to E&Y by SFC; and
- e) Other direct representations.

(A) Management Representation Letters

39. In the course of each of the audits for the fiscal years ended December 31, 2007 to 2010 inclusive, management of SFC provided E&Y with a letter of representation (collectively the "Management Representation Letters") on behalf of SFC and the SFC Subsidiaries. The Management Representation Letter for fiscal 2007 was signed by Allen Chan, David Horsley, Alvin Lim and Tom Maradin. The Management Representation Letters for fiscal 2008-2010 were signed by Allen Chan, David Horsley and Tom Maradin. Copies of the Management Representation Letters for each year are attached to this Proof of Claim at Schedule "C4".

40. The Management Representation Letters state:

...we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles.

41. E&Y reasonably relied on the Management Representation Letters in conducting its audit of the consolidated financial statements for the years ended December 31, 2007-2010.

42. The Management Representation Letters varied from year to year, but generally contained the following representations upon which E&Y reasonably relied:

- (a) that management of the Company understood that they were responsible for the fair presentation of the consolidated financial statements;

- (b) that management of the Company believed that the consolidated financial statements fairly presented, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with GAAP;
- (c) that management of the Company assessed the risk that the consolidated financial statements might be materially misstated as a result of fraud as being low and had no knowledge of any fraud or suspected fraud that could have a non-trivial effect on the consolidated financial statements;
- (d) that management of the Company had provided E&Y with access to all information relevant to the preparation and audit of the consolidated financial statements, including financial records and related data and all significant contracts and agreements;
- (e) that the Company had satisfactory title to all assets appearing in the consolidated balance sheet;
- (f) that management of the Company had disclosed all significant intercompany transactions;
- (g) that management of the Company, agreed with the findings of specialists in evaluating the valuation of timber assets;
- (h) that management of the Company had disclosed to E&Y all related party transactions;

- (i) that there were no instances where any officer or employee of the Company had an interest in a company with which the Company did business that would be considered a “conflict of interest”; and
- (j) that management of the Company had appropriately consolidated all entities for which SFC directly or indirectly had a controlling financial interest.

43. E&Y also obtained additional management representation letters in connection with each of the prospectus and debt offerings where E&Y’s audit reports were incorporated by reference (the “Offering Management Representation Letters”). A sample of the Offering Management Representation Letters are attached to this Proof of Claim at Schedule “C5”.

(B) The D&O Questionnaires

44. In each of the 2007-2010 audits, all directors and officers of SFC completed questionnaires in respect of related party and independence matters (the “D&O Questionnaires”). A sample of the D&O Questionnaires are attached to this Proof of Claim at Schedule “C6”

45. E&Y reasonably relied on the D&O Questionnaires in conducting its audit of the consolidated financial statements for each of the fiscal years ended December 31, 2007-2010.

46. The D&O Questionnaires required the directors and officers of SFC to disclose (i) an interest of 5% or more or (ii) a directorship in any company that had transacted with SFC or the SFC Subsidiaries during the year under audit. E&Y relied upon the disclosure by the directors and officers in the D&O Questionnaires.

(C) Company Policies

47. At all material times, SFC maintained a Code of Conduct. E&Y placed reliance upon the directors, officers and employees of SFC and the SFC Subsidiaries compliance with the Code of Conduct when conducting its audit of the consolidated financial statements for each of the fiscal years ended December 31, 2007-2010. A copy of the Code of Conduct, obtained during the 2010 audit, is attached at Schedule "C7".

48. The Code of Conduct states that the members of senior management "are expected to lead according to high standards of ethical conduct, in both words and actions..." The Code of Conduct required the honest and accurate recording and reporting of information, and that any violations or suspected violations of the Code, and any concerns regarding accounting, financial statement disclosure, internal accounting or disclosure controls or auditing matters, be reported.

49. At all material times, SFC maintained a Whistleblower Policy. E&Y placed reliance upon the existence of and compliance with the Whistleblower Policy in conducting its audit of the consolidated financial statements for each of the fiscal years ended December 31, 2007-2010. A copy of the Whistleblower Policy, obtained during the 2010 audit, is attached at Schedule "C8".

(D) The Legal Opinions

50. SFC provided E&Y with certain legal opinions from its outside counsel, Jingtian & Gongcheng, Attorneys at Law in the People's Republic of China, for the purposes of E&Y's audits of the consolidated financial statements of SFC, and with respect to timber title and ownership, including the nature of and appropriate reliance upon official documentation from the

various Forestry Bureaus. E&Y reasonably relied upon the legal opinions in conducting its audit of the consolidated financial statements for each of the fiscal years ended December 31, 2007 to 2010, to the express knowledge of SFC, the SFC Subsidiaries and their respective directors, officers and employees, all as they intended E&Y would do. A copy of the legal opinion received in connection with E&Y's audit of the consolidated financial statement for the fiscal year ended December 31, 2007 is attached at Schedule "C9".

(E) Other Direct Representations

51. In respect of the transactions completed in each of the fiscal years ended December 31, 2007 to 2010, SFC and/or its directors, officers, employees or agents made direct representations to E&Y upon which it reasonably relied. Those representations include, but are not limited to, representations in respect of:

- (a) timber assets;
- (b) title to the timber assets;
- (c) purchases and sales of timber assets, including individual transactions, supported by contracts and set-off documentation, to support the Company's representation that accounts receivable and accounts payable had been settled;
- (d) valuation of the timber holdings;
- (e) use of the SFC Subsidiaries;
- (f) relationships with the authorized intermediaries; and
- (g) related party transactions.

52. As described at paragraph 67 herein, attached at Schedule "B" is chart summarizing the representations that were made to E&Y in respect of assets, liabilities, revenues and expenses of SFC and the SFC Subsidiaries, setting out the key client-prepared documents received by E&Y and upon which E&Y relied. Management of SFC coordinated the provision of the representations, information and documents to E&Y. E&Y reasonably relied in good faith on these representations.

53. As expressly stated in the Engagement Letters and the 2010 Auditors' Report, SFC's management was responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for such internal controls as management determined were necessary to enable the preparation of consolidated financial statements that were free from material misstatement, whether due to fraud or error. E&Y relied on SFC management's representations and warranties in carrying out its work.

(II) Reputational Loss

54. Had E&Y been aware of the alleged misconduct of SFC, the SFC Subsidiaries and their respective directors, officers, employees and agents, E&Y would not have opined on, associated itself with or consented to any use of its opinions with respect to the financial statements of SFC and the SFC Subsidiaries. The continued proceedings and events arising out of the financial affairs of SFC have the potential to impact the good reputation of E&Y in its market place, to its detriment.

(III) SFC's Vicarious Liability

55. SFC is vicariously liable for the acts of its directors, officers, employees and agents, the SFC Subsidiaries and their directors, officers, employees and agents.

56. In particular, given the consolidated nature of the financial statements, representations were received from SFC's management and management of the SFC Subsidiaries expressly on the authority of and on behalf of SFC, which is vicariously liable for the accuracy of those representations and the potential and actual losses flowing to E&Y in reliance thereon.

(b) Claims Against the SFC Subsidiaries

57. As stated above, E&Y was engaged to audit the consolidated financial statements of SFC. Consolidated financial statements are produced by aggregating the financial statements of one or more subsidiary companies on a line-by-line basis (i.e., adding together corresponding items of assets, liabilities, revenues and expenses) with the financial statements of the parent company, eliminating intercompany balances and transactions and providing for any non-controlling interest in a subsidiary company. Where the assets, liabilities, revenues and expenses of an entity's subsidiary companies comprise material proportions of the corresponding elements of the consolidated financial statements, auditing the consolidated financial statements of an entity therefore involves obtaining audit evidence and performing audit procedures in respect of the assets, liabilities, revenues and expenses not only of the entity itself, but also of the subsidiaries.

58. In the case of E&Y's audits of the consolidated financial statements of SFC, the bulk of audit evidence obtained by E&Y and a significant majority of audit procedures performed by E&Y related to the SFC Subsidiaries, because of the corporate structure of the Sino-Forest group of companies:

- (a) SFC, the entity that issued the publicly-traded debt and equity, is a holding company whose primary assets are cash, direct or indirect investments in the SFC

Subsidiaries, and intercompany balances due from one or more of the SFC Subsidiaries;

- (b) The business of SFC was conducted at the subsidiary level. On a consolidated basis, all assets of SFC other than a portion of the consolidated cash were owned by the SFC Subsidiaries. Attached to this Proof of Claim at Schedule "C10" is a corporate organization chart for SFC as at December 31, 2010. Also attached at Schedules "C11" and "C12" are publicly available corporate search results conducted in respect of the SFC Subsidiaries or certain of them. With respect to the timber assets and the timber related operations reported in the consolidated financial statements of SFC:
- (i) The timber assets were all held by a small number of the SFC Subsidiaries;
 - (ii) The purchase and sale of the timber assets was done by or on behalf of those of the SFC Subsidiaries;
 - (iii) Those SFC Subsidiaries were the signatories to the purchase and sale contracts;
 - (iv) The Forestry Bureau Confirmations relied upon by E&Y in the course of its audits were issued to those SFC Subsidiaries; and
 - (v) The relationships with the authorized intermediaries were through those SFC Subsidiaries; and

- (c) SFC itself had only three (3) employees: David Horsley, Tom Maradin and an administrative assistant. All other officers and employees of the Sino-Forest group were employed by various SFC Subsidiaries. Two SFC Subsidiaries, Sino-Wood Partners, Limited (“Sino-Wood”) and Sino-Panel (Asia) Inc. (“Sino-Panel”) employed the majority of the personnel who conducted and accounted for the business of the SFC Subsidiaries incorporated in Hong Kong and the British Virgin Islands, including those SFC Subsidiaries which owned a significant majority of the timber assets.

59. A significant majority of information and representations provided to E&Y in connection with E&Y’s audits of the consolidated financial statements for 2007 to 2010 were provided by or on behalf of various SFC Subsidiaries.

(I) Breach of Contract

60. E&Y was retained, pursuant to the terms of the Engagement Letters, to audit and report on the consolidated financial statements.

61. E&Y entered into direct engagements with Sino-Panel (Asia) Inc. and Sino-Wood Partners, Limited to audit their financial statements each for the years-ended December 31, 2007 and 2008. Attached at Schedule “C3” are copies of the Engagement Letters for Sino-Panel (Asia) Inc. and Sino-Wood Partners, Limited for fiscal year ended December 31, 2007.

62. In the course of completing the audit engagements for SFC and the SFC Subsidiaries, E&Y received directly from and/or on behalf of the SFC Subsidiaries their financial information, and relied upon that information in connection with completing its work under these

engagements, as well as aggregating the financial results with those of other SFC Subsidiaries, and SFC itself, for the purposes of opining on the consolidated financial statements of SFC and the SFC Subsidiaries.

(II) Inducing Breach of Contract

63. The SFC Subsidiaries, and their respective directors, officers, employees and agents, knew or ought to have known that the information being provided to E&Y was provided for the purpose of E&Y's audit of the consolidated financial statements of SFC.

64. The information provided by the SFC Subsidiaries and their directors, officers, employees and agents may have been misleading and deceitful as it is being alleged in the Class Actions that SFC's consolidated financial statements misrepresented the state of SFC's assets and activities. The OSC has made similar allegations.

65. If proven, the alleged deceitful and misleading information provided by the SFC Subsidiaries and their directors, officers, employees and agents would have led SFC to breach its obligations to E&Y pursuant to the Engagement Letters, thereby causing E&Y to incur the damages more particularly described in this Proof of Claim.

(III) and (IV) Negligent and Fraudulent Misrepresentation

66. In performing its audits of the 2007-2010 consolidated financial statements, E&Y reasonably relied in good faith on (among other things) representations, documents, information and reports, as applicable, provided by, *inter alia*, the SFC Subsidiaries and their directors, officers, employees and agents all as described above in this Proof of Claim.

67. In addition, the SFC Subsidiaries are vicariously liable for the actions and omissions of their directors, officers, employees and agents who may have provided E&Y with allegedly deceitful and misleading information.

68. By way of example, attached to this Proof of Claim at Schedule B is a chart summarizing the SFC Subsidiaries that provided key client-prepared documents and/or delivered documents evidencing representations made to E&Y in its audits of the 2007-2010 consolidated financial statements of SFC. In building up the chart, E&Y limited itself to certain types of documents that E&Y considers particularly significant. The chart may therefore be incomplete with respect to other documents that were provided by certain SFC Subsidiaries. The chart illustrates the strong connection between the recorded book value of the timber assets in the SFC Subsidiaries and E&Y's reliance on key client-prepared documents from those SFC Subsidiaries.

69. If the allegations of the OSC are proven, the SFC Subsidiaries made negligent and/or fraudulent misrepresentations to E&Y upon which E&Y relied to its detriment thereby causing E&Y to incur the damages, more particularly described in this Proof of Claim.

(V) Reputational Loss

70. Had E&Y been aware of the alleged misconduct of SFC, the SFC Subsidiaries and their respective directors and officers, E&Y would not have opined on, associated itself with or consented to any use of its opinions with respect to the financial statements of SFC and the SFC Subsidiaries. The continued proceedings and events arising out of the financial affairs of SFC have the potential to impact the good reputation of E&Y in its market place, to its detriment.

(c) **Contractual Indemnity**

(I) Audit Engagement Letters

71. Each of the Engagement Letters for E&Y's audits of the consolidated financial statements of SFC for the Company's 2007 to 2010 fiscal years inclusive provides that E&Y's total aggregate liability shall be limited to the greater of: (i) the total fees paid to E&Y for its services (as defined); and (ii) CDN \$1,000,000.

72. Each of the Engagement Letters for E&Y's audits of the consolidated financial statements of SFC for the Company's 2007-2010 fiscal years provides that SFC will re-imburse E&Y for legal fees incurred in certain circumstances.

73. The Engagement Letter for E&Y's audit of the consolidated financial statements of SFC for the Company's 2010 fiscal year includes the following specific indemnification provision:

To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the Services or this Agreement. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "Claims"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

74. The Engagement Letters for the year-end audits for fiscal 2007-2010 generally incorporated E&Y's engagements to perform quarterly reviews of the Company's interim financial statements.

(II) Offering Engagement Letters

75. As stated above, E&Y entered into separate Offering Engagement Letters with SFC in connection with each equity and debt offering which incorporated E&Y's audit reports by reference defined above. Each of the Offering Engagement Letters provides that SFC will indemnify E&Y generally, will limit E&Y's liability and will re-imburse E&Y for legal fees in certain circumstances.

76. The Offering Engagement Letters are attached to this Proof of Claim at Schedule "C2".

(III) Claim for Contractual Indemnification

77. E&Y asserts indemnity claims against SFC for its legal fees and other costs incurred to defend the Class Actions and Other Proceedings and, in the event E&Y is found liable to the plaintiffs, any Interested Parties or any other party, for any damages and/or interest award E&Y may be ordered to pay, pursuant to the terms of the above-described engagement letters.

(d) Statutory Claims for Contribution and Indemnity

78. E&Y asserts contribution and indemnity claims in the event E&Y is found liable to the plaintiffs, any Interested Parties or any other party, for any damages and/or interest award E&Y may be condemned to pay, under ss. 1 and 2 of the *Negligence Act* and any applicable legislation outside of Ontario against SFC and the SFC Subsidiaries as joint and several tortfeasors.

E&Y'S DAMAGES

79. As a result of the conduct of SFC, the SFC Subsidiaries and their respective former directors and officers, E&Y has incurred the following damages:

- (a) Legal costs and professional costs incurred in defending the multiple proceedings, including the Class Actions and Other Proceedings brought against E&Y, which proceedings are the proximate and foreseeable consequence of the alleged negligent, deceitful and fraudulent practice of SFC, SFC Subsidiaries and their respective directors and officers. To this day, E&Y's legal and related costs total approximately \$5,000,000;
- (b) Exposure to awards of damages and interest in the multiple proceedings, including the Class Actions and Other Proceedings, brought against E&Y, which proceedings are the proximate and foreseeable consequence of the alleged negligent, deceitful and fraudulent practice of SFC, SFC Subsidiaries and their respective directors and officers; and
- (c) Any reputational loss resulting from the Class Actions and the Other Proceedings and events arising out of the financial affairs of SFC which has the potential to impact the good reputation of E&Y in its market place, to its detriment; and

80. As a result of the allegedly negligent, deceitful and fraudulent practices of SFC, the SFC Subsidiaries and their respective directors and officers, which unequivocally would result in a breach of SFC's obligations pursuant to the Engagement Letters and SFC Subsidiaries Letters, and/or an inducement to SFC to breach SFC's contractual obligations to E&Y, E&Y will incur further damages if any awards in favour of the Interested Parties or other parties are ordered.

NATURE AND CLASS OF CLAIMS

81. E&Y asserts this claim as an unsecured creditor.

82. E&Y's claim is distinct from any and all potential and actual claims by the plaintiffs in the Class Actions against SFC. E&Y's claim for contribution and indemnity is not based upon the claims against SFC advanced in the Class Actions, but rather in part upon the Class Actions' claims against E&Y on behalf of the Interested Parties.

83. As any success of the plaintiffs in the Class Actions against E&Y on behalf of the Interested Parties would not necessarily lead to success against SFC and vice-versa, E&Y has a distinct claim against SFC independent of that of the plaintiffs in the Class Actions on behalf of the Interested Parties. The success of E&Y's claims against SFC and the SFC Subsidiaries, and the success of the claims advanced by the Class Action plaintiffs, are not co-dependent. Either could succeed if the other were to fail.

84. The relationship between E&Y on the one hand, and SFC, SFC Subsidiaries and their respective directors and officers on the other, is contractual and at arm's length. The nature of the relationship between a shareholder, who may be in a position to assert an equity claim (in addition to other claims) is fundamentally different from the relationship existing between a corporation and its auditors.

85. The policy rationale for subordinating equity claims to the claims of creditors of the corporation, given the well-established corporate law recognizing the bargain that shareholders have struck and the inherent fact that their fortunes rise or fall with those of the company, does not apply to auditors.

86. Shareholders accept both risk and reward, and benefit directly from any increase in the value of the equity in a company. An auditor is in a fundamentally different position, namely

that of a professional service provider who entered into a contract with the debtor company based upon the expectation of receiving a pre-established payment, independently of the company's financial performance.

87. E&Y is prepared to provide to the Monitor, on a confidential basis, further submissions with respect to the nature and quality, as well as quantity, of its claims.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Eron & Young LLP

June 20, 2012

Donb Samuel

Chief legal counsel

TAB B

CONFIDENTIAL

SINO-FOREST CORPORATION

SCHEDULE B: LIST OF SINO-FOREST CORPORATION SUBSIDIARIES THAT PROVIDED KEY DOCUMENTS AND REPRESENTATIONS ON WHICH ERNST & YOUNG LLP RELIED IN ITS AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS OF SINO-FOREST CORPORATION (Note 1)

Company Name (Note 2)	Jurisdiction of Incorporation (Note 2)	Date of Incorporation (Note 2)	Unsecured Guarantors (Note 3)	Pledgors of Subsidiary Shares (Note 3)	Book Value of Timber Assets at Dec 31, 2010 (000s) (Note 4)	Year Ended December 31 (Note 5)			
						2010	2009	2008	2007
Sino-Global Holdings Inc.	BVI		*	▲				X	X
Grandeur Winway Limited	BVI	24-Nov-06	*					X	X
Sinowin Investments Limited	BVI	27-Jul-02	*						
Max Gain Development Limited	BVI	4-Feb-02	*					X	X
Sino-Maple (Shanghai) Trading Co., Ltd.	PRC							X	X
Sino-Maple (Shanghai) Co., Ltd.	PRC							X	X
Sinowin Plantings (Suzhou) Co., Ltd.	PRC								
Jiangsu Jianrun Plantings Co., Ltd.	PRC								
Suzhou City Yuejia Gardening Design Co., Ltd.	PRC							X	
Suzhou City Lyvun Garden Engineering Co., Ltd.	PRC								
Suqian Jiashu Plantings Co., Ltd.	PRC								
Sino-Panel Corporation	Canada		*	▲				X	X
Sino-Wood Partners Limited	HK		*					X	X
Sino-Forest Resources Inc.	BVI	12-Dec-97	*					X	X
Dynamic Profit Holdings Limited	BVI	27-Sep-10	*	▲				X	X
Sino-Forest Investments Limited	BVI	8-Sep-03	*					X	X
Mandra Forestry Holdings Limited	BVI	31-Dec-04	√						
Mandra Forestry Finance Limited	BVI	31-Dec-04	√						
Mandra Forestry Anhui Limited	BVI	28-Jan-11	√						
Anqing Mandra Forestry Limited	PRC				\$53,375			X	
Mandra Forestry (Jiangxi) Limited	PRC				\$48,112			X	
Yihuang Mandra Forestry Limited	PRC				\$15,788			X	
Xuancheng Mandra Forestry Limited	PRC				\$23,655			X	
Zixi Mandra Forestry Limited	PRC				\$34,653			X	
Wuhu Mandra Forestry Limited	PRC				\$244				
Mandra Forestry Hubei Limited	BVI		√						
Huanggang Mandra Forestry Limited	PRC				\$1,167			X	X
Sino-Forest (China) Investments Limited	PRC							X	X
Sino-Forest (Suzhou) Trading Co., Ltd.	PRC								
Sino-Forest (Yangjiang) Co., Ltd.	PRC								X
Sino-Forest (Guangzhou) Co., Ltd.	PRC								X
Shenzhen Sino-Forest Science and Technology Co., Ltd.	PRC								
Sino-Wood (Heyuan) Co., Ltd.	PRC				\$49,857			X	
Sino-Forest (Heyuan) Co., Ltd.	PRC								X
Guangxi Gujia Forestry Co., Ltd.	PRC				\$8,664				X
Gaoyao Jiayao Forestry Development Co., Ltd.	PRC				\$8,543				X
Zhangzhou Jiamin Forestry Development Co., Ltd.	PRC				\$490			X	
Sino-Wood Trading Limited	BVI	28-Dec-09	*						
Sino-Plantation Limited	HK		*	▲					
Sino-Wood (Guangxi) Limited	HK	19-Jan-07	*						
Sino-Wood (Jiangxi) Limited	HK		*						
Sino-Wood (Guangdong) Limited	HK		*						
Sino-Wood (Fujian) Limited	HK		*						X
Jiangxi Jiachang Forestry Development Co., Ltd.	PRC				\$8,789				X
Suri-Wood Inc.	BVI	1-Sep-97	*	▲	\$329,311			X	X
Ace Supreme International Limited	BVI	2-Jan-09	*		\$199,600			X	X
Alliance Max Limited	BVI	22-Dec-09	*		\$98,923			X	X
Trillion Edge Limited	BVI	22-Dec-09	*		\$201,892			X	X
General Excel Limited	BVI	22-Dec-09	*		\$37,018			X	X
Brain Force Limited	BVI	22-Dec-09	*		\$90,524			X	
Prime Kinetic Limited	BVI	22-Dec-09	*		\$45,027			X	
Poly Market Limited	BVI	22-Dec-09	*		\$57,050			X	
Value Quest International Limited	BVI	11-Aug-10	*		\$57,335			X	
Well Keen Worldwide Limited	BVI	11-Aug-10	*		\$52,685			X	
Cheer Gold Worldwide Limited	BVI	11-Aug-10	*		\$21,174			X	
Regal Win Capital Limited	BVI	11-Aug-10	*		\$23,833			X	
Harvest Wonder Worldwide Limited	BVI	11-Aug-10	*		\$70,221			X	
Rich Choice Worldwide Limited	BVI	11-Aug-10	*		\$178,401			X	
Amplemax Worldwide Limited	BVI	2-Jan-09	*		\$229,030			X	X
Glory Billion International Limited	BVI	2-Jan-09	*		\$203,050			X	X
Smart Sure Enterprises Limited	BVI	2-Jan-09	*		\$192,260			X	X
Expert Bonus Investments Limited	BVI	2-Jan-09	*		\$203,640			X	X
Express Point Holdings Limited	BVI	2-Jan-09	*		\$184,545			X	
Sinowood Finance Limited	BVI	8-Sep-05	*						X
Khan Forestry Inc	BVI	14-Feb-97	*	▲				X	X
Sino-Capital Global Inc.	Bermuda		*					X	
Greenheart Resources Holdings Limited	BVI	8-Oct-04	*					X	
Sinowood Limited	Cayman Islands		*	▲					X
Sino-Forest Bio-Science Limited	BVI	18-Jun-03	*						X
Sino-Biotechnology (Guangzhou) Limited	PRC		*						X
Sinowood Holdings Limited	Cayman Islands		*					X	
Homix Limited	BVI	10-Jul-08	*						
Sino-Global Management Consulting Inc.	BVI	30-Jul-10	*						
Guangzhou Panyu Dacheng Wood Co., Ltd.	PRC		*						
Jiangsu Dayang Wood Co., Ltd.	PRC		*						
Sino-Global (Guangzhou) Forestry Management Consulting Inc.	BVI		*						
Mega Harvest International Limited	New Zealand		*		\$67,513			X	
NZ Forestry Holding Company Limited	New Zealand		*						
MFV Limited	New Zealand		*						
Mangakahia Forest Limited	New Zealand		*						
Mangakahia Forest Mori Land Limited	New Zealand		*						
Sino-Forest International (Barbados) Corporation	Barbados		*	▲				X	X
Sino-Panel Holdings Limited	BVI	19-May-00	*	▲				X	X
Sino-Panel (Asia) Inc.	BVI	12-Dec-97	*	▲				X	X
Sino-Panel (China) Investments Limited	PRC		*		\$134,310			X	X
Sino-Panel (Guangxi) Limited	BVI		*					X	X
Sino-Panel (Yunnan) Limited	BVI	19-Jan-07	*					X	X
Sino-Panel (North East China) Limited	BVI	23-Feb-05	*					X	X
Sino-Panel (Xiangxi) Limited	BVI	12-Oct-01	*					X	X

SINO-FOREST CORPORATION

SCHEDULE B: LIST OF SINO-FOREST CORPORATION SUBSIDIARIES THAT PROVIDED KEY DOCUMENTS AND REPRESENTATIONS ON WHICH ERNST & YOUNG LLP RELIED IN ITS AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS OF SINO-FOREST CORPORATION (Note 1)

Company Name (Note 2)	Jurisdiction of Incorporation (Note 2)	Date of Incorporation (Note 2)	Unsecured Guarantors (Note 3)	Pledgors of Subsidiary Shares (Note 3)	Book Value of Timber Assets at Dec 31, 2010 (000s) (Note 4)	Year Ended December 31			
						2010	2009	2008	2007
Sino-Panel (Hunan) Limited	BVI	27-Nov-06	*					X	X
SFR (China) Inc.	BVI	20-Jan-11	*					X	X
Sino-Panel (Suzhou) Limited	BVI	8-Aug-05	*					X	X
Sino-Panel (Gaoyao) Ltd.	BVI	12-Dec-97	*					X	X
Sino-Panel (Guangzhou) Limited	BVI	19-Sep-06	*					X	X
Sino-Panel (North Sea) Limited	BVI	20-Jul-07	*					X	X
Sino-Panel (Guizhou) Limited	BVI	18-Sep-07	*					X	X
Sino-Panel (Huailhua) Limited	BVI	18-Sep-07	*					X	X
Sino-Panel (Qinzhou) Limited	BVI	18-Sep-07	*					X	X
Sino-Panel (Yongzhou) Limited	BVI	18-Sep-07	*					X	X
Sino-Panel (Fujian) Limited	BVI	2-Oct-07	*					X	X
Sino-Panel (Shaoyang) Limited	BVI	2-Oct-07	*					X	X
Sino-Panel (China) Nursery Limited	BVI	22-Dec-09	*					X	X
Sino-Panel (Russia) Limited	BVI	12-Feb-10	*				X		
Sino-Panel Trading Limited	BVI	28-Apr-10	*						
Sino-Panel (Fujian) Co., Ltd.	PRC				\$12,011	X	X	X	X
Sino-Panel (Guangxi) Development Co., Ltd.	PRC				\$23,430		X	X	X
Sino-Panel (Gengma) Co., Ltd.	PRC						X	X	X
Heilongjiang Jiamu Panel Co., Ltd.	PRC							X	X
Xiangxi Autonomous State Jiayi Forestry Development Co., Ltd.	PRC							X	X
Hunan Jiayu Wood Products (Hongjiang) Co., Ltd.	PRC				\$4,208			X	X
Hunan Jiayu Wood Products Co., Ltd.	PRC				\$86	X	X	X	X
Shaoyang Jiading Wood Products Co., Ltd.	PRC					X	X	X	X
Jiafeng Wood (Suzhou) Co., Ltd.	PRC							X	X
Zhangjiagang Free Trade Zone Jiashen International Trading Co., Ltd.	PRC				\$42,949	X	X	X	X
Guangdong Jiayao Wood Products Development Co., Ltd.	PRC							X	X
Sino-Panel (Guangzhou) Trading Co., Ltd.	PRC					X	X	X	X
Sino-Panel (Beihai) Development Co., Ltd.	PRC				\$884			X	
Hunan Jiayu Wood Products (Zhijiang) Co., Ltd.	PRC				\$17,377		X	X	X
Sino-Panel (Jianghua) Co., Ltd.	PRC								
Sino-Panel (Guangzhou) Nursery Co., Ltd.	PRC								
Heilongjiang Jialin Trading Co., Ltd.	PRC								
Sino-Panel (Heilongjiang) Trading Co., Ltd.	PRC				\$30,236		X	X	X
Sino-Panel (Hezhou) Co., Ltd.	PRC							X	
Sino-Panel (Yunnan) Trading Co., Ltd.	PRC				\$41,926	X	X		
Jiangxi Jiawei Panel Co., Ltd.	PRC				\$4,726			X	X
Sino-Panel (Sanjiang) Co., Ltd.	PRC					X			
Sino-Panel (Hunan) Forest Management Co., Ltd.	PRC				\$9,888		X	X	X
Sino-Panel (Luzhai) Co., Ltd.	PRC								
Sino-Panel (Beihai) Wood Products Co., Ltd.	PRC								
Sino-Panel (Hunan) Development Co., Ltd.	PRC								
Sino-Panel (Guangdong) Forest Management Co., Ltd.	PRC								
Sino-Panel (Guangxi) Forest Management Co., Ltd.	PRC								
Sino-Panel (Jiangxi) Forest Management Co., Ltd.	PRC								
Beihai Changqing Wooden Co., Ltd.	PRC				\$4,120			X	X
Sino-Panel (Yuanling) Co., Ltd.	PRC				\$3,122,516		X	X	
Total Timber Assets:									

Notes

Note 1: This schedule was prepared on a confidential basis for inclusion in the Proofs of Claim of Ernst & Young LLP against (i) Sino-Forest Corporation and its subsidiaries and (ii) the Directors and Officers of Sino-Forest Corporation and for no other purpose. This schedule is intended to be illustrative in nature and does not reflect all documents and/or representations provided to Ernst & Young LLP in connection with the audits for the fiscal years indicated.

Note 2: Corporation names, jurisdictions of incorporation and dates of incorporation are based on information provided to Ernst & Young LLP by Sino-Forest Corporation and its subsidiaries.

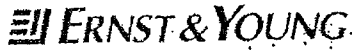
Note 3: "*" denotes guarantor of all notes. "v" denotes guarantor of convertible notes only. "L" denotes entities that have granted the shares of one or more subsidiary corporations as security for their guarantees of the notes. These indicators were based in each case on information provided to Ernst & Young LLP by FTI Consulting Canada Inc. in its capacity as Monitor of Sino-Forest Corporation.

Note 4: According to information provided to Ernst & Young LLP in connection with its audit of the consolidated financial statements of Sino-Forest Corporation for the years ended December 31, 2010.

Note 5: An "X" indicates that Ernst & Young LLP received one or more key documents and/or representations from the entity during the audit of the consolidated financial statements for the fiscal year indicated. This schedule is intended to be illustrative in nature and does not reflect all documents and/or representations provided to Ernst & Young LLP in connection with the audits for the fiscal years indicated.

TAB 1

**June 21, 2007 audit engagement letter for the year ended
December 31, 2007**



Ernst & Young LLP
Chartered Accountants
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7

Phone: (416) 864-1234
Fax: (416) 864-1174

June 21, 2007

Mr. James (Jamie) M. E. Hyde
Chairman of the Audit Committee
c/o Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

*Copy to Linda Zhu
Original to comp.*

Dear Mr. Hyde:

1. This engagement letter, including any additional terms that are attached, (collectively, the "Agreement") confirms the terms upon which Ernst & Young LLP ("we" or "EY") has been engaged to perform a statutory audit and report on the consolidated financial statements of Sino-Forest Corporation ("Sino-Forest" or the "Company") for the year ended December 31, 2007. The services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services."

Audit Responsibilities and Limitations

2. The objective of our audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with Canadian generally accepted accounting principles.
3. We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance that the consolidated financial statements taken as a whole are free of material misstatement, whether caused by error or fraud or illegal acts whose consequences have a material effect on the consolidated financial statements. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of the data underlying the financial statements, the inherent limitations of internal controls, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Also, an audit is not designed to detect error or fraud that is immaterial to the consolidated financial statements.
4. In accordance with professional standards established by the Canadian Institute of Chartered Accountants ("CICA"), we will communicate certain matters related to the conduct and

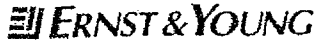
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results of the audit to the Company's Audit Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; serious difficulties encountered in performing the audit; our level of responsibility under professional standards in Canada for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unrecorded audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the Company's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the Company's accounting principles; our basis for conclusions regarding sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.

5. We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies and procedures. In addition, in accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Audit Committee any relationships between Ernst & Young LLP, its partners and professional employees and Sino-Forest (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to Sino-Forest.
6. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Company's internal controls over financial reporting. This consideration will not be sufficient to enable us to provide assurance on the effectiveness of internal controls over financial reporting or to identify all significant weaknesses.
7. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Audit Committee. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will also determine that the Audit Committee is adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit Committee and appropriate members of management of significant audit adjustments and significant weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit procedures, as well as related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.

J.P. Sestak



8. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the Company's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.

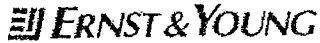
Reviews of Unaudited Interim Financial Information

9. We will perform a review of the Company's unaudited interim financial information in accordance with CICA Handbook Section 7050, *Auditor Review of Interim Financial Statements*, for the third quarter of the Company's fiscal year and we will report orally to the Audit Committee in this regard.
10. A review of interim financial information consists principally of performing analytical procedures and making inquiries of management responsible for financial and accounting matters. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the interim financial information.
11. A review includes obtaining sufficient knowledge of the entity's business and its internal control as it relates to the preparation of both annual and interim financial information to: identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with Canadian generally accepted accounting principles.
12. A review is not designed to provide assurance on internal control or to identify significant weaknesses. However, we will communicate with the Audit Committee regarding any significant weaknesses noted during our review procedures.
13. If, during our review procedures, we determine there is evidence that fraud or illegal or possibly illegal acts exist or may have occurred (other than illegal acts that are clearly inconsequential), we will bring such matters to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the interim financial information, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant unrecorded differences noted during our review procedures.

Management's Responsibilities and Representations


14. The preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the Company. Management is also

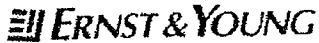
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responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

15. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the Company's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. Management of the Company is responsible for apprising us of all known instances of fraud or suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and for providing us full access to information and facts relating to these instances and allegations, and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/ client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may alter the form of report we may issue on the Company's financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's auditors. The Company and we will disclose any such withholding of information to the Audit Committee.
16. Management of the Company is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.
17. Management of the Company is responsible for adjusting the consolidated financial statements and unaudited interim financial information to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the applicable Audit Service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements and unaudited interim financial information taken as a whole.

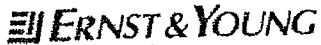

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18. As required by Canadian generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. Management is responsible for affirming to us in its representation letter and providing us information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:

- its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements or used to support amounts in the consolidated financial statements;
 - any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA HB Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the Company's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Company is contingently liable;
 - information on whether the Company has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements; and
 - information concerning subsequent events.
19. At the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements; matters that are not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements. The responses to the inquiries of management, the written representations from management and the results of our procedures comprise the evidential matter we will rely upon in completing the applicable Audit Service.
20. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the

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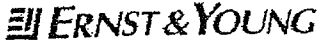
attached additional Terms and Conditions (refer to the provision captioned "Auditor Oversight").

21. To assist EY in maintaining its independence from the Company, management of the Company is responsible for the Company's process for surveying officers and directors, and for requesting that substantial stockholders, officers, and directors disclose matters to the Company for communication to EY regarding the nature of any direct or material indirect business relationships that the substantial stockholder, officer, or director, or any member of their immediate family (i.e., a person's spouse, spouse equivalent, and dependents), has with EY or any of its affiliates, or an ownership interest of five percent or more in, or situations where they serve as an officer or director of any company (public or private) that has a direct or material indirect business relationship with EY or any of its affiliates.

Fees and Billings

22. We estimate that the fee for our audit of the 2007 consolidated financial statements will range from US\$550,000 to US\$650,000 plus out of pocket expenses and the review of the unaudited interim financial information will range from US\$55,000 to US\$60,000 plus out of pocket expenses per quarter. However, our actual fee may exceed the top of this range. We will submit our invoices in accordance with the agreed upon billing schedule, and payment of them will be made upon receipt.
23. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, and are dependent upon the Company's personnel providing a reasonable level of assistance during the Audit Services. Should our assumptions with respect to these matters be incorrect or should the results of our procedures, the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any consent to the use of the audit report outside of Section 1(b) of the Addendum or any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and may be the subject of other written agreements.
24. Canadian securities legislation requires that any reporting issuer filing an auditor's report dated on or after March 30, 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 1.6% of audit fees. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

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Use and Disclosure of the Audit Report

25. The use and disclosure of EY's audit report shall be governed by the terms of the Addendum attached to this letter, which form an integral part of this Agreement.

Other Matters

- 26. The Company shall provide to us copies of the printer's proofs of its annual report prior to publication for our review. Management of the Company bears the primary responsibility to ensure the annual report contains no misrepresentations. Management is also responsible for identifying subsequent events and providing appropriate disclosure in, and/or adjustment of, the audited financial statements as a result of such events as required by generally accepted accounting principles. We will review the report for consistency between the annual financial statements and other information contained in the report, and to determine if the financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the financial statements, we will advise management and the Audit Committee as appropriate.
- 27. By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit Committee to enter into this Agreement with us on the Company's behalf and that you have been expressly authorized by the Audit Committee to execute this Agreement on behalf of, and to bind, the Company.
- 28. The attached additional Terms and Conditions form an integral part of this engagement letter and govern our respective rights and obligations arising therefrom.

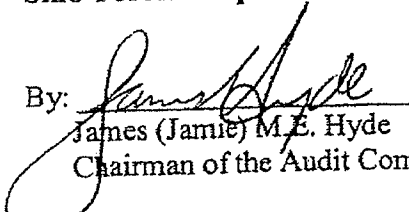
EY appreciates the opportunity to be of assistance to the Company. If this Agreement accurately reflects the terms on which the Company has agreed to engage EY, please sign below on behalf of the Company and return it to Fred Clifford.

Yours very truly,

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Acknowledged and agreed:
Sino-Forest Corporation

By: 
James (Jamie) M.E. Hyde
Chairman of the Audit Committee

Date: Sept 7/07

Handwritten signature and date: Sept 11/07

Addendum
Use and Disclosure of the Audit Report

(1) Annual Financial Statements

(a) E&Y acknowledges that the Company is a reporting issuer under Canadian securities legislation and/or is subject to securities legislation in other jurisdictions and has an obligation to:

- (i) file its annual financial statements and E&Y's accompanying audit report (referred to as the "audit report") with the securities regulators having jurisdiction over the Company; and
- (ii) mail those documents to its security holders, either as part of the Company's annual report to shareholders (referred to as the "annual report") or separately.

Filing those documents and/or including them in the annual report will result in such documents being "released" as that term is defined in section 138.1 of the *Securities Act* (Ontario).

(b) E&Y hereby consents (within the meaning contemplated by section 138.3(1)(e)(iii) of the *Securities Act* (Ontario)) to the annual filing of the audit report and to the inclusion of the audit report in the annual report if all of the conditions set out below are met. The effective date of such consent is deemed to be the date of the audit report. The conditions are as follows:

- (i) the filing of the audit report or the mailing of the annual report, as the case may be, occurs within 5 business days of the date of the audit report;
- (ii) neither the chief executive officer nor the chief financial officer of the Company is aware of anything which would result in the financial statements containing a misrepresentation (as such term is defined in section 1(1) of the *Securities Act* (Ontario));
- (iii) since the date of the audit report no "material change" (as that term is defined in section 1(1) of the *Securities Act* (Ontario)) or other event has occurred, or information become available, that would require disclosure in or adjustment to the financial statements to make those statements current and in accordance with Canadian generally accepted accounting principles as of the date that they are being released; and
- (iv) the consent provided in this engagement letter has not been withdrawn in writing before the audit report is filed and/or the annual report is mailed.

(c) E&Y expressly does not consent to the use of the audit report, or the opinions expressed in the audit report, in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the *Securities Act* (Ontario)), in any other circumstance. In particular, E&Y does not consent to:

- (i) the filing of the audit report after the outside date referred to in paragraph (b)(i);
- (ii) the inclusion of the audit report in the annual report if the annual report is mailed after the outside date referred to in paragraph (b)(i);
- (iii) the inclusion of the audit report in:
 - (1) a prospectus, a takeover bid circular, an issuer bid circular, a directors' circular, a rights offering circular, or other document related to a distribution, purchase or sale of securities of the Company or another reporting issuer;
 - (2) a business acquisition report or similar document filed by another reporting issuer; or

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- (3) any "document" (as that term is defined in section 138.1 of the *Securities Act* (Ontario)) other than as specified in 1(b); or
- (iv) the Company or any other person summarizing or quoting from the audit report in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the *Securities Act* (Ontario)).

- (d) If the Company wishes to (i) file the audit report with a securities commission after the outside date referred to in paragraph (b)(i) but within the time specified by the applicable securities legislation; or (ii) include the audit report in the annual report if the annual report is mailed after the outside date referred to in paragraph (b)(i) then;
 - (1) a further written consent from E&Y is required; and
 - (2) E&Y will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, E&Y is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44, *The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*, published by the Canadian Institute of Chartered Accountants.

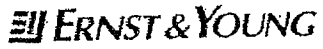
- (e) If the Company wishes to include, summarize, quote from or otherwise use the audit report in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the *Securities Act* (Ontario)), in any manner other than that permitted under paragraph (b) or (d), the following procedures will apply:
 - (i) the Company will, in writing, request E&Y's further written consent to that use;
 - (ii) if E&Y agrees that the request is an appropriate use of the audit report, the Company and E&Y will enter into an engagement letter setting out the terms of such engagement, including the scope of the procedures to be undertaken by E&Y and its fee for performing these services; and
 - (iii) E&Y will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, E&Y is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44, *The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*, published by the Canadian Institute of Chartered Accountants.

(2) Interim Financial Statements

We expressly do not consent to the use of any communication, report, statement or opinion prepared by E&Y on the interim financial statements and such communication may not be included in, summarized in, quoted from or otherwise used in any "document" or "public oral statement" (as such terms are defined in section 138.1 of the *Securities Act* (Ontario)).

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Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

- 1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
- 2. **Unexpected Events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
- 3. **Client Data & Information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data to other EY Entities for the purpose of rendering the Services. EY may also disclose Client Data to other EY Entities for the purposes of fulfilling its professional obligations to manage conflicts of interest and to maintain auditor independence as well as to implement standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may store Client Data, which may include personal information, outside of Canada.
- 4. **Confidentiality** - Subject to the other terms of this Agreement, both client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
- 5. **EY Waiver Re: Tax Advice** - Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:
 - (a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
 - (i) has any filing obligation with the US Internal Revenue Service, or
 - (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that own in the aggregate more than 50% of the total vote or value of such non-US corporation);
 - (b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or
 - (c) where SEC audit independence restrictions apply to the relationship between client and any EY Entity, any oral or written statement or advice to client as to any potential tax consequences that may result from a transaction or the tax treatment of an item,
 (together, (a), (b) and (c) referred to as "Tax Advice"),



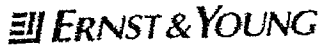
EY expressly authorizes client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of client and is not to be relied upon by any other person or entity, client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY's prior written consent.

- 6. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from client.
- 7. **Auditor Oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of client, EY will advise client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which client has expressly informed EY that client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for client's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from client for the provision of audit services, other accounting services and non-audit services.

- 8. **Internet Communications** - Unless otherwise agreed with client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
- 9. **Right to Terminate Services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event client fails to pay any amount required to be paid under this Agreement.
- 10. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for



items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.

11. **Billing & Taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by client without deduction from the fees, expenses and charges hereunder.

12. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.

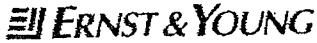
13. **EY Reports** - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of an engagement ("Reports"), although client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "EY Waiver Re: Tax Advice" above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, except as otherwise specifically agreed in the engagement letter into which these terms and conditions are incorporated client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed for client were not planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. Client may not rely on any draft Report.

14. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), strict liability, failure of essential purpose or otherwise,

(a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;

(b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and

(c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph shall not limit EY's liability for death, bodily injury or physical damage to tangible property caused by the negligent acts or omissions of EY, and shall not limit EY's liability for loss or damage caused by the fraud or wilful misconduct of EY.



For the purposes of this section ("*Limitation of Liability*"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

- 15. **Global Resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
- 16. **No Application** - The preceding two sections (*Limitation of Liability, Global Resources*) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
- 17. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if client were to hire certain EY personnel. Without the prior written consent of EY, client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to client at any time since the date of filing of client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by client's first such financial statements), or in the 12 months preceding that date.
- 18. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
- 19. **Legal Proceedings** - In the event EY is requested by client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for client, and provided that EY is not a party to the legal proceedings, client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
- 20. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.



21. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Client Data & Information, Confidentiality, EY Waiver Re: Tax Advice, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings*. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

A handwritten signature in black ink, appearing to read 'J. S. [unclear]', located in the bottom right corner of the page.

**August 7, 2008 audit engagement letter for the year ended
December 31, 2008**

**August 7, 2008 audit engagement letter for the year ended
December 31, 2008**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7
Tel: 604 891 8200
Fax: 604 643 5422
ey.com/ca

August 7, 2008

Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Attention: Mr. David Horsley, CFO

Dear Mr. Horsley:

1. This engagement letter, including any additional terms that are attached, (collectively, the "Agreement") confirms the terms upon which Ernst & Young LLP ("we" or "EY") has been engaged to audit and report on the consolidated financial statements of Sino-Forest Corporation ("Sino-Forest" or the "Company") for the year ending December 31, 2008. The services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services."

Consolidated Financial Statement Audit Responsibilities and Limitations

2. The objective of the audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with Canadian generally accepted accounting principles. Should conditions not now anticipated preclude us from completing the audit and issuing a report, we will advise the Audit Committee and management promptly and take such action as we deem appropriate.
3. We will conduct the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance that the consolidated financial statements taken as a whole are free of material misstatement, whether caused by error or fraud or illegal acts whose consequences have a material effect on the consolidated financial statements. As the Company is aware, there are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain



undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Accordingly, there is some risk that a material misstatement of the financial statements would remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the consolidated financial statements.

4. In accordance with professional standards established by the Canadian Institute of Chartered Accountants ("CICA"), we will communicate certain matters related to the conduct and results of the audit to the Company's Audit Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; serious difficulties encountered in performing the audit; our level of responsibility under professional standards in Canada for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unrecorded audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the Company's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the Company's accounting principles; our basis for conclusions regarding sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.
5. We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies and procedures. In addition, in accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Audit Committee any relationships between EY, its partners and professional employees and Sino-Forest (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to Sino-Forest.
6. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Company's internal control over financial reporting. Our consideration of internal control for the audit of the financial statements will not be sufficient to enable us to express an opinion on the effectiveness of internal control over financial reporting or to identify all significant weaknesses.
7. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the

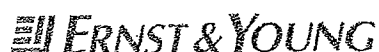


attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Audit Committee. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will also determine that the Audit Committee is adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit Committee and appropriate members of management of significant audit adjustments, as well as related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.

8. We will communicate in writing to management and the Audit Committee all significant weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit of the Company's consolidated financial statements. In addition, if we become aware that the Audit Committee's oversight of the Company's external financial reporting and internal control over financial reporting is ineffective, we will communicate our conclusion in writing to the Board of Directors.
9. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the Company's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.

Reviews of Unaudited Interim Financial Information

10. We will perform a review of the Company's unaudited interim financial information in accordance with CICA Handbook Section 7050, *Auditor Review of Interim Financial Statements*, for the first, second and third quarters of the Company's fiscal year and we will report orally to the Audit Committee in this regard.
11. A review of interim financial information consists principally of performing analytical procedures and making inquiries of management responsible for financial and accounting matters. A review is substantially less in scope than an audit conducted in accordance with Canadian generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the interim financial information.



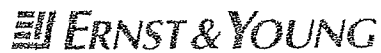
12. A review includes obtaining sufficient knowledge of the entity's business and its internal control as it relates to the preparation of both annual and interim financial information to: identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with Canadian generally accepted accounting principles.
13. A review is not designed to provide assurance on internal control or to identify significant weaknesses. However, we will communicate with the Audit Committee regarding any significant weaknesses noted during our review procedures.
14. If, during our review procedures, we determine there is evidence that fraud or illegal or possibly illegal acts exist or may have occurred (other than illegal acts that are clearly inconsequential), we will bring such matters to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the interim financial information, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant unrecorded differences noted during our review procedures.

Management's Responsibilities and Representations

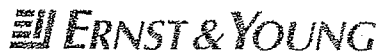
15. The preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the Company. Management is responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.
16. Management of the Company is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.



17. Management of the Company is responsible for adjusting the consolidated financial statements and unaudited interim financial information to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the applicable Audit Service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements and unaudited interim financial information taken as a whole.
18. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the Company's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. Management of the Company is responsible for apprising us of all known instances of fraud or suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and for providing us full access to information and facts relating to these instances and allegations, and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may prevent us from opining on the Company's financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's auditors. We will disclose any such withholding of information to the Audit Committee.
19. As required by Canadian generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. Management is responsible for affirming to us in its representation letter and providing us information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:
- its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements or used to support amounts in the consolidated financial statements;



- any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA HB Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the Company's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Company is contingently liable;
 - information on whether the Company has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements; and
 - information concerning subsequent events.
20. At the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements; matters that are not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements. The responses to the inquiries of management, the written representations from management and the results of our procedures comprise the evidential matter we will rely upon in completing the applicable Audit Service.
21. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the attached additional Terms and Conditions (refer to the provision captioned "*Auditor Oversight*").
22. Management shall make appropriate inquiries of the Company's officers, directors, and substantial stockholders to determine whether any business relationships exist between any such officer, director, or substantial stockholder (or any entity for or of which such an officer, director, or substantial stockholder acts in a similar capacity) and EY or any other member firm of the global Ernst & Young organization, other than one pursuant to which such a member firm performs professional services. For this purpose, a "substantial



stockholder" is a person or entity (excluding mutual funds) that owns a beneficial interest of five percent or more of the Company.

23. Management shall discuss any independence matters with EY that, in its judgment, could bear upon EY's independence.

Fees and Billings

24. We estimate that the fee for our audit of the 2008 consolidated financial statements will range from \$700,000 to \$900,000 plus out of pocket expenses and the review of the unaudited interim financial information will range from \$60,000 to \$75,000 plus out of pocket expenses per quarter. However, our actual fee may exceed the top of this range based on changes to the business (e.g., nature of the business or change in business entities) or additional scope work. We will submit our invoices in accordance with the agreed upon billing schedule, and payment of them will be made upon receipt.
25. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, and are dependent upon the Company's personnel providing a reasonable level of assistance during the Audit Services. Should our assumptions with respect to these matters be incorrect or should the results of our procedures, the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. Circumstances that may significantly affect the targeted completion dates and our fee estimate include, but are not limited, to the following:

Audit Facilitation

- (a) Changes to the timing of the engagement at the Company's request;
- (b) Audit schedules are not (i) provided by the Company on the date requested, (ii) completed in a format acceptable to EY, (iii) mathematically correct, or (iv) in agreement with Company records (e.g., general ledger accounts);
- (c) Significant delays in responding to our requests;
- (d) Deterioration in the quality of the Company's accounting records during the current year in comparison to the prior year;
- (e) A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company;
- (f) Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company;
- (g) The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.



Significant Issues or Changes

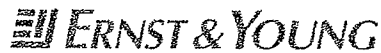
- (a) Significant weaknesses are identified in the Company's internal control over financial reporting that result in the expansion of our audit procedures;
 - (b) A significant level of proposed audit adjustments;
 - (c) A significant number of financial statement drafts are submitted for our review or a significant level of deficiencies in the draft financial statements;
 - (d) Significant new issues or changes, such as new accounting issues, changes in accounting policies, events or transactions not contemplated in our budgets; changes in the Company's financial reporting or IT systems, or changes in the Company's personnel, their responsibilities or their availability.
 - (e) Changes in audit scope caused by events that are beyond our control.
26. In addition, fees for any consent to the use of the audit report outside of Section 1(b) of the Addendum or any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and may be the subject of other written agreements supplemental to those in this Agreement.
27. Canadian securities legislation requires that any reporting issuer filing an auditor's report dated on or after March 30, 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 1.6% of audit fees; however, the fee is subject to adjustment by CPAB. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

Use and Disclosure of the Audit Report

28. The use and disclosure of EY's audit report shall be governed by the terms of the Addendum attached to this letter, which form an integral part of this Agreement.

Other Matters

29. The Company shall provide to us copies of the printer's proofs of its annual report prior to publication for our review. Management of the Company bears the primary responsibility to ensure the annual report contains no misrepresentations. Management is also responsible for



identifying subsequent events and providing appropriate disclosure in, and/or adjustment of, the audited financial statements as a result of such events as required by generally accepted accounting principles. We will review the report for consistency between the annual financial statements and other information contained in the report, and to determine if the financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the financial statements, we will advise management and the Audit Committee as appropriate.

30. By your signature below, you confirm that the Company, through its Board of Directors, has authorized the Audit Committee to enter into this Agreement with us on the Company's behalf and that you have been expressly authorized by the Audit Committee to execute this Agreement on behalf of, and to bind, the Company.
31. The attached additional Terms and Conditions form an integral part of this engagement letter and govern our respective rights and obligations arising therefrom.

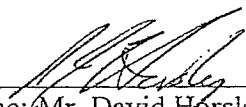
EY appreciates the opportunity to be of assistance to the Company. To confirm the terms upon which the Company has agreed to engage EY, please have this letter signed below where indicated and return it to Ms. Linda Zhu, 700 West Georgia Street, P.O. Box 10101, Vancouver, BC V7Y 1C7, Canada.

Yours very truly,

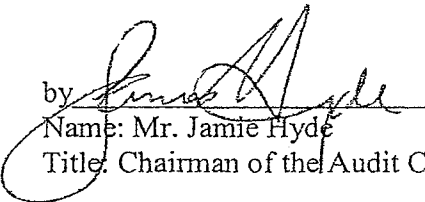
Ernst + Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

by 
Name: Mr. David Horsley
Title: CFO

Acknowledged on behalf of the
Company's Audit Committee:

by 
Name: Mr. Jamie Hyde
Title: Chairman of the Audit Committee



Addendum

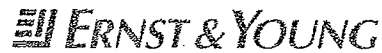
Use and Disclosure of the Audit Report

(1) Annual Financial Statements

- (a) EY acknowledges that the Company is a reporting issuer under Canadian securities legislation and/or is subject to securities legislation in other jurisdictions and has an obligation to:
- (i) file its annual financial statements and EY's accompanying audit report (referred to as the "audit report") with the securities regulators having jurisdiction over the Company; and
 - (ii) distribute those documents to its security holders, either as part of the Company's annual report to shareholders (referred to as the "annual report") or separately.

Filing those documents and/or including them in the annual report will result in such documents being "released" as that term is defined under applicable securities laws.

- (b) EY hereby consents (within the meaning contemplated by applicable securities laws) to the annual filing of the audit report and to the inclusion of the audit report in the annual report if all of the conditions set out below are met. The effective date of such consent is deemed to be the date of the audit report. The conditions are as follows:
- (i) the filing of the audit report or the distribution of the annual report, as the case may be, occurs within 5 business days of the date of the audit report;
 - (ii) neither the chief executive officer nor the chief financial officer of the Company is aware of anything which would result in the financial statements containing a misrepresentation (as such term is defined under applicable securities laws);
 - (iii) since the date of the audit report, no "material change" (as that term is defined under applicable securities laws) or other event has occurred, or information has become available, that would require disclosure in or adjustment to the financial statements to make those statements current and in accordance with Canadian generally accepted accounting principles as of the date that they are being released; and
 - (iv) the consent provided in this engagement letter has not been withdrawn in writing before the audit report is filed and/or the annual report is distributed.



- (c) EY expressly does not consent to the use of the audit report, or the opinions expressed in the audit report, in any “document” or “public oral statement” (as those terms are defined under applicable securities laws), in any other circumstance. In particular, EY does not consent to:
- (i) the filing of the audit report after the outside date referred to in paragraph (b)(i);
 - (ii) the inclusion of the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i);
 - (iii) the inclusion of the audit report in:
 - (1) a prospectus, a takeover bid circular, an issuer bid circular, a directors’ circular, a rights offering circular, or other document related to a distribution, purchase or sale of securities of the Company or another reporting issuer;
 - (2) a business acquisition report or similar document filed by another reporting issuer; or
 - (3) any “document” (as that term is defined under applicable securities laws) other than as specified in 1(b); or
 - (iv) the Company or any other person summarizing or quoting from the audit report in any “document” or “public oral statement” (as those terms are defined under applicable securities laws).
- (d) If the Company wishes to (i) file the audit report with a securities commission after the outside date referred to in paragraph (b)(i) but within the time specified by the applicable securities legislation; or (ii) include the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i) then;
- (1) a further written consent from EY is required; and
 - (2) EY will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44,



The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document, published by the Canadian Institute of Chartered Accountants.

- (e) If the Company wishes to include, summarize, quote from or otherwise use the audit report in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any manner other than that permitted under paragraph (b) or (d), the following procedures will apply:
- (i) the Company will, in writing, request EY's further written consent to that use;
 - (ii) if EY agrees that the request is an appropriate use of the audit report, the Company and EY will enter into an engagement letter setting out the terms of such engagement, including the scope of the procedures to be undertaken by EY and its fee for performing these services; and
 - (iii) EY will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44, *The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*, published by the Canadian Institute of Chartered Accountants.

(2) Interim Financial Statements

We expressly do not consent to the use of any communication, report, statement or opinion prepared by EY on the interim financial statements and such communication may not be included in, summarized in, quoted from or otherwise used in any "document" or "public oral statement" (as such terms are defined under applicable securities laws).



Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected Events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client Data & Information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **EY Waiver Re: Tax Advice** - Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:
 - (a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
 - (i) has any filing obligation with the US Internal Revenue Service, or
 - (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that



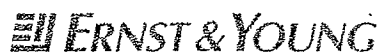
own in the aggregate more than 50% of the total vote or value of such non-US corporation);

- (b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or
- (c) where SEC audit independence restrictions apply to the relationship between client and any EY Entity, any oral or written statement or advice to client as to any potential tax consequences that may result from a transaction or the tax treatment of an item, (together, (a), (b) and (c) referred to as "Tax Advice"),

EY expressly authorizes client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of client and is not to be relied upon by any other person or entity, client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY's prior written consent.

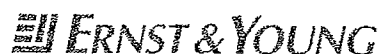
6. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.
7. **Auditor Oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of client, EY will advise client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which client has expressly informed EY that client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for client's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).



EY will also be required to provide information relating to the fees that EY collects from client for the provision of audit services, other accounting services and non-audit services.

8. **Internet Communications** - Unless otherwise agreed with client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
9. **Right to Terminate Services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event client fails to pay any amount required to be paid under this Agreement.
10. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
11. **Billing & Taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by client without deduction from the fees, expenses and charges hereunder.
12. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
13. **EY Reports** - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems,



methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of an engagement ("Reports"), although client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "EY Waiver Re: Tax Advice" above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, except as otherwise specifically agreed in the engagement letter into which these terms and conditions are incorporated client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed for client will not be planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. Client may not rely on any draft Report.

14. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
 - (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
 - (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("*Limitation of Liability*"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

15. **Global Resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided



shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.

16. **No Application** - The preceding two sections (*Limitation of Liability, Global Resources*) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
17. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if client were to hire certain EY personnel. Without the prior written consent of EY, client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to client at any time since the date of filing of client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by client's first such financial statements), or in the 12 months preceding that date.
18. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
19. **Legal Proceedings** - In the event EY is requested by client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for client, and provided that EY is not a party to the legal proceedings, client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
20. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory



professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.

21. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Client Data & Information, Confidentiality, EY Waiver Re: Tax Advice, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings*. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**October 1, 2009 audit engagement letter for the year ended
December 31, 2009**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7
Tel: 604 891 8200
Fax: 604 643 5422
ey.com/ca

Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

1 October 2009

Dear Mr. Horsley:

1. This engagement letter, including any additional terms that are attached, (collectively, the "Agreement") confirms the terms upon which Ernst & Young LLP ("we" or "EY") has been engaged to audit and report on the consolidated financial statements of Sino-Forest Corporation ("Sino-Forest" or the "Company") for the year ending December 31, 2009. The services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services."

Consolidated financial statement audit responsibilities and limitations

2. The objective of the audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with Canadian generally accepted accounting principles. Should conditions not now anticipated preclude us from completing the audit and issuing a report, we will advise the Audit Committee and management promptly and take such action as we deem appropriate.
3. We will conduct the audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance that the consolidated financial statements taken as a whole are free of material misstatement, whether caused by error or fraud or illegal acts whose consequences have a material effect on the consolidated financial statements. As the Company is aware, there are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Accordingly, there is some risk that a material misstatement of the financial statements would remain undetected. Also, an audit is not designed to detect error or fraud that is immaterial to the consolidated financial statements.

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4. In accordance with professional standards established by the Canadian Institute of Chartered Accountants ("CICA"), we will communicate certain matters related to the conduct and results of the audit to the Company's Audit Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; serious difficulties encountered in performing the audit; our level of responsibility under professional standards in Canada for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unrecorded audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the Company's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the Company's accounting principles; our basis for conclusions regarding sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.
5. We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies and procedures. In addition, in accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Audit Committee any relationships between EY, its partners and professional employees and Sino-Forest (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to Sino-Forest.
6. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Company's internal control over financial reporting. Our consideration of internal control for the audit of the financial statements will not be sufficient to enable us to express an opinion on the effectiveness of internal control over financial reporting or to identify all significant weaknesses.
7. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Audit Committee. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will also determine that the Audit Committee is adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit Committee and appropriate members of management of significant audit adjustments, as well as related party transactions identified by

us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.

8. We will communicate in writing to management and the Audit Committee all significant weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit of the Company's financial statements. In addition, if we become aware that the Audit Committee's oversight of the Company's external financial reporting and internal control over financial reporting is ineffective, we will communicate our conclusion in writing to the Board of Directors.
9. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the Company's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.

Reviews of unaudited interim financial information

10. We will perform a review of the Company's unaudited interim financial information in accordance with CICA Handbook Section 7050, *Auditor Review of Interim Financial Statements*, for the first, second and third quarters of the Company's fiscal year and we will report orally to the Audit Committee in this regard.
11. A review of interim financial information consists principally of performing analytical procedures and making inquiries of management responsible for financial and accounting matters. A review is substantially less in scope than an audit conducted in accordance with Canadian generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we will not express an opinion on the interim financial information.
12. A review includes obtaining sufficient knowledge of the entity's business and its internal control as it relates to the preparation of both annual and interim financial information to: identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with Canadian generally accepted accounting principles.
13. A review is not designed to provide assurance on internal control or to identify significant weaknesses. However, we will communicate with the Audit Committee regarding any significant weaknesses noted during our review procedures.



14. If, during our review procedures, we determine there is evidence that fraud or illegal or possibly illegal acts exist or may have occurred (other than illegal acts that are clearly inconsequential), we will bring such matters to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the interim financial information, we will report this matter directly to the Audit Committee. We will determine that the Audit Committee is adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. We also will inform the Audit Committee and appropriate members of management of significant unrecorded differences noted during our review procedures.

Management's responsibilities and representations

15. The preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the Company. Management is responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.
16. Management of the Company is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.
17. Management of the Company is responsible for adjusting the consolidated financial statements and unaudited interim financial information to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded differences accumulated by us during the applicable Audit Service and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements and unaudited interim financial information taken as a whole.
18. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the Company's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. Management of the Company is responsible for apprising us of all known instances of fraud or suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators



or others), and for providing us full access to information and facts relating to these instances and allegations, and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may prevent us from opining on the Company's financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's auditors. We will disclose any such withholding of information to the Audit Committee.

19. As required by Canadian generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. Management is responsible for affirming to us in its representation letter and providing us information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:
- its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements or used to support amounts in the consolidated financial statements;
 - any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA HB Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the Company's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Company is contingently liable;



- information on whether the Company has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements; and
 - information concerning subsequent events.
20. At the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements; matters that are not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements. The responses to the inquiries of management, the written representations from management and the results of our procedures comprise the evidential matter we will rely upon in completing the applicable Audit Service.
21. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the attached additional Terms and Conditions (refer to the provision captioned "*Auditor Oversight*").
22. Management shall make appropriate inquiries of the Company's officers, directors, and substantial stockholders to determine whether any business relationships exist between any such officer, director, or substantial stockholder (or any entity for or of which such an officer, director, or substantial stockholder acts in a similar capacity) and EY or any other member firm of the global Ernst & Young organization, other than one pursuant to which such a member firm performs professional services. For this purpose, a "substantial stockholder" is a person or entity (excluding mutual funds) that owns a beneficial interest of five percent or more of the Company.
23. Management shall discuss any independence matters with EY that, in its judgment, could bear upon EY's independence.

Fees and billings

24. We estimate that the fee for our audit of the 2009 consolidated financial statements will range from \$775,000 to \$862,000 plus out of pocket expenses and the review of the unaudited interim financial information will be \$75,000 plus out of pocket expenses per quarter. However, our actual fee may exceed our estimated fee based on changes to the business (e.g., nature of the business or change in business entities) or additional scope work. Out-of-scope activities will be agreed with management on a weekly basis throughout the course of the audit and will be billed at a rate ranging from \$180 to \$200 per hour. We will submit our invoices in accordance with the agreed upon billing schedule, and payment of them will be made upon receipt.
25. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us, and are dependent upon the Company's personnel providing a reasonable level of assistance during the Audit Services. Should our assumptions with respect to these matters be incorrect or should the results of our procedures, the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. Circumstances that may significantly affect the targeted completion dates and our fee estimate include, but are not limited, to the following:

Audit facilitation

- (a) Changes to the timing of the engagement at the Company's request;
- (b) Audit schedules are not (i) provided by the Company on the date requested, (ii) completed in a format acceptable to EY, (iii) mathematically correct, or (iv) in agreement with Company records (e.g., general ledger accounts);
- (c) Significant delays in responding to our requests;
- (d) Deterioration in the quality of the Company's accounting records during the current year in comparison to the prior year;
- (e) A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company;
- (f) Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company;
- (g) The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.



Significant issues or changes

- (h) Significant weaknesses are identified in the Company's internal control over financial reporting that result in the expansion of our audit procedures;
- (i) A significant level of proposed audit adjustments;
- (j) A significant number of financial statement drafts are submitted for our review or a significant level of deficiencies in the draft financial statements;
- (k) Significant new issues or changes, such as new accounting issues, changes in accounting policies, events or transactions not contemplated in our budgets; changes in the Company's financial reporting or IT systems, or changes in the Company's personnel, their responsibilities or their availability.
- (l) Changes in audit scope caused by events that are beyond our control.

26. In addition, fees for any consent to the use of the audit report outside of Section 1(b) of the Addendum or any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and may be the subject of other written agreements supplemental to those in this Agreement.

27. Canadian securities legislation requires that any reporting issuer filing an auditor's report dated on or after March 30, 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 1.6% of audit fees; however, the fee is subject to adjustment by CPAB. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

Use and disclosure of the audit report

28. The use and disclosure of EY's audit report shall be governed by the terms of the Addendum attached to this letter, which form an integral part of this Agreement.



Other matters

29. The Company shall provide to us copies of the printer's proofs of its annual report prior to publication for our review. Management of the Company bears the primary responsibility to ensure the annual report contains no misrepresentations. Management is also responsible for identifying subsequent events and providing appropriate disclosure in, and/or adjustment of, the audited financial statements as a result of such events as required by generally accepted accounting principles. We will review the report for consistency between the annual financial statements and other information contained in the report, and to determine if the financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the financial statements, we will advise management and the Audit Committee as appropriate.

30. The attached additional Terms and Conditions form an integral part of this engagement letter and govern our respective rights and obligations arising therefrom.

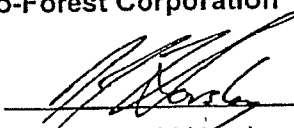
EY appreciates the opportunity to be of assistance to the Company. To confirm the terms upon which the Company has agreed to engage EY, please have this letter signed below where indicated and return it to Ms. Linda Zhu, 700 West Georgia Street, P.O. Box 10101, Vancouver, BC V7Y 1C7, Canada.

Yours very truly,

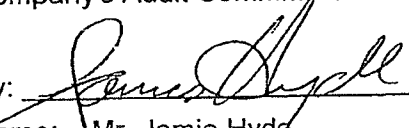
Ernst + Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

By: 
Name: Mr. David Horsley
Title: Chief Financial Officer

Acknowledged on behalf of the
Company's Audit Committee:

By: 
Name: Mr. Jamie Hyde
Title: Chairman of the Audit Committee

I have the authority to bind the Company.

Addendum

Use and disclosure of the audit report

1. Annual financial statements

(a) EY acknowledges that the Company is a reporting issuer under Canadian securities legislation and/or is subject to securities legislation in other jurisdictions and has an obligation to:

- (i) file its annual financial statements and EY's accompanying audit report (referred to as the "audit report") with the securities regulators having jurisdiction over the Company; and
- (ii) distribute those documents to its security holders, either as part of the Company's annual report to shareholders (referred to as the "annual report") or separately.

Filing those documents and/or including them in the annual report will result in such documents being "released" as that term is defined under applicable securities laws.

(b) EY hereby consents (within the meaning contemplated by applicable securities laws) to the annual filing of the audit report and to the inclusion of the audit report in the annual report if all of the conditions set out below are met. The effective date of such consent is deemed to be the date of the audit report. The conditions are as follows:

- (i) the filing of the audit report or the distribution of the annual report, as the case may be, occurs within 5 business days of the date of the audit report;
- (ii) neither the chief executive officer nor the chief financial officer of the Company is aware of anything which would result in the financial statements containing a misrepresentation (as such term is defined under applicable securities laws);
- (iii) since the date of the audit report, no "material change" (as that term is defined under applicable securities laws) or other event has occurred, or information has become available, that would require disclosure in or adjustment to the financial statements to make those statements current and in accordance with Canadian generally accepted accounting principles as of the date that they are being released; and
- (iv) the consent provided in this engagement letter has not been withdrawn in writing before the audit report is filed and/or the annual report is distributed.

- (c) EY expressly does not consent to the use of the audit report, or the opinions expressed in the audit report, in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any other circumstance. In particular, EY does not consent to:
- (i) the filing of the audit report after the outside date referred to in paragraph (b)(i);
 - (ii) the inclusion of the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i);
 - (iii) the inclusion of the audit report in:
 - (1) a prospectus, a takeover bid circular, an issuer bid circular, a directors' circular, a rights offering circular, or other document related to a distribution, purchase or sale of securities of the Company or another reporting issuer;
 - (2) a business acquisition report or similar document filed by another reporting issuer; or
 - (3) any "document" (as that term is defined under applicable securities laws) other than as specified in 1(b); or
 - (iv) the Company or any other person summarizing or quoting from the audit report in any "document" or "public oral statement" (as those terms are defined under applicable securities laws).
- (d) If the Company wishes to (i) file the audit report with a securities commission after the outside date referred to in paragraph (b)(i) but within the time specified by the applicable securities legislation; or (ii) include the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i) then;
- (1) a further written consent from EY is required; and
 - (2) EY will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44, *The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*, published by the Canadian Institute of Chartered Accountants.



(e) If the Company wishes to include, summarize, quote from or otherwise use the audit report in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any manner other than that permitted under paragraph (b) or (d), the following procedures will apply:

- (i) the Company will, in writing, request EY's further written consent to that use;
- (ii) if EY agrees that the request is an appropriate use of the audit report, the Company and EY will enter into an engagement letter setting out the terms of such engagement, including the scope of the procedures to be undertaken by EY and its fee for performing these services; and
- (iii) EY will undertake such additional procedures as are required in accordance with professional standards to enable it to determine whether it can furnish its further written consent.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with Assurance Guideline No. 44, *The Auditor's Written Consent to the Use of the Audit Report in a Continuous Disclosure Document*, published by the Canadian Institute of Chartered Accountants.

2. Interim financial statements

We expressly do not consent to the use of any communication, report, statement or opinion prepared by EY on the interim financial statements and such communication may not be included in, summarized in, quoted from or otherwise used in any "document" or "public oral statement" (as such terms are defined under applicable securities laws).



Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client data and information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.



6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to Client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed EY that Client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for Client's assertion of privilege (such as whether it claims solicitor-Client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from Client for the provision of audit services, other accounting services and non-audit services.

7. **Internet communications** - Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.
9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.



10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.
11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.
13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;



- (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
- (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.



17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.
20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**December 7, 2010 audit engagement letter for the year ended
December 31, 2010**

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December 7, 2010

Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Dear Mr. Horsley:

1. This Engagement Letter, together with the attached General Terms and Conditions for Audit and Review Engagements, (collectively, this "Agreement"), confirms the terms and conditions upon which Ernst & Young LLP ("we" or "EY") has been engaged to audit and report on the consolidated financial statements of Sino-Forest Corporation (the "Company") for the year ending December 31, 2010. We have also been engaged to review and report on the Company's unaudited interim financial information for the first, second and third quarters of the Company's fiscal year. The services described in this paragraph may hereafter be referred to as either the "Audit Services" or the "Services."

Audit responsibilities and limitations

2. The objective of our audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Sino-Forest Corporation in accordance with Canadian generally accepted accounting principles. Should conditions not now anticipated preclude us from completing our audit and issuing a report (the "Report") as contemplated by this Agreement, we will advise you and the Audit Committee promptly and take such action as we deem appropriate.
3. We will conduct the audit in accordance with Canadian auditing standards as promulgated by the Canadian Institute of Chartered Accountants ("CICA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of data and the possibility that collusion or forgery may preclude the detection of material error, fraud, or illegal acts. Accordingly, there is some risk that a material misstatement of the consolidated financial statements may remain undetected. Also, an audit is not designed to detect fraud or error that is immaterial to the consolidated financial statements.

D.Horsley

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4. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing and extent of our audit procedures, the Company's internal control over financial reporting. This consideration will not be sufficient to enable us to express an opinion on the effectiveness of internal control or to identify all significant deficiencies.
5. In accordance with the standards established by the CICA, we will communicate certain matters related to the conduct and results of the audit to the Audit Committee. Such matters include:
 - ▶ our responsibility under Canadian auditing standards for forming and expressing an opinion on the consolidated financial statements that have been prepared by management with the oversight of the Audit Committee and that such an audit does not relieve management and the Audit Committee of their responsibilities;
 - ▶ an overview of the planned scope and timing of the audit;
 - ▶ significant findings from the audit. Significant findings from the audit include: (1) our views about the significant qualitative aspects of the Company's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; (2) significant difficulties, if any, encountered during the audit; (3) uncorrected misstatements, other than those we believe are trivial; (4) disagreements with management, if any, whether or not satisfactorily resolved; and (5) other matters, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process, including significant matters in connection with the Company's related parties; and
 - ▶ written representations requested from management and significant matters, if any, arising from the audit that were discussed, or the subject of correspondence, with management.
6. We will obtain pre-approval from the Audit Committee for any services we are to provide to the Company pursuant to the Audit Committee's pre-approval process, policies and procedures. In addition, in accordance with Canadian auditing standards, we will communicate in writing to the Audit Committee any relationships between EY, its partners and professional employees and Sino-Forest Corporation (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to Sino-Forest Corporation.
7. In addition, we will communicate all relationships and other matters between EY, other member firms of the global Ernst & Young organization ("network firms") and the Company that, in our professional judgment, may reasonably be thought to bear on independence (including total fees charged during the period covered by the consolidated financial statements for audit and non-audit services provided by EY and network firms to the Company and components controlled by the Company) and the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. Further, we will confirm that the engagement team and others in EY as appropriate, EY and, when applicable, network firms have complied with relevant ethical requirements regarding independence.
8. If we determine that there is evidence that fraud or possible non-compliance with laws and regulations may have occurred, we will bring such matters to the attention of the appropriate level of management. If we become aware of fraud involving management or fraud involving

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employees who have significant roles in internal control or others where the fraud results in a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will communicate with the Audit Committee matters involving non-compliance with laws and regulations that come to our attention unless they are clearly inconsequential

9. We will communicate in writing significant deficiencies in internal control identified during the audit of the Company's consolidated financial statements.
10. We also may communicate our observations as to the potential for economies in, or improved controls over, the Company's operations.

Review of unaudited interim financial information

11. Our review of the Company's unaudited interim financial information will be performed in accordance with CICA Handbook Section 7050, Auditor Review of Interim Financial Statements and we will report orally to the Audit Committee in this regard.
12. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Canadian auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we will not express an audit opinion on the interim financial information.
13. A review includes obtaining a sufficient understanding of the Company's business and its internal control as it relates to the preparation of the interim financial information to: identify the types of potential misstatements in the interim financial information and consider the likelihood of their occurrence; and select the inquiries, analytical and other review procedures that will provide us with a basis for reporting whether anything has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Canadian generally accepted accounting principles.
14. You agree that where any document containing interim financial information includes a reference to us having reviewed the interim financial information, our interim review report will also be included in the document.

Management's responsibilities and representations

15. Our audit will be conducted on the basis that management and where appropriate, the Audit Committee, acknowledge and understand that they have responsibility:
 - (a) For the preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepted accounting principles;
 - (b) For such internal control as management determines is necessary to enable the preparation of the consolidated financial statements and unaudited interim financial information that are free from material misstatement, whether due to fraud or error; and

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- (c) To provide us with: 1) access, on a timely basis, to all information of which management is aware that is relevant to the preparation of the consolidated financial statements and unaudited interim financial information such as records, documentation and other matters; 2) additional information that we may request from management for the purpose of the audit; and 3) unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence, their personnel and their auditors for purposes of the group audit.

Management's failure to provide us with the information referred to above or access to persons within the Company may cause us to delay our report, modify our procedures, or even terminate our engagement.

16. Management is also responsible for adjusting the consolidated financial statements and unaudited interim financial information to correct material misstatements identified by us during the applicable Audit Service and pertaining to the latest period presented and for affirming to us in its representation letter that they believe the effects of unrecorded misstatements are immaterial, individually and in aggregate, to the consolidated financial statements and unaudited interim financial information as a whole.
17. Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could result in a misstatement of the consolidated financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of the audit and may prevent us from opining on the Company's consolidated financial statements; prevent us from consenting to the inclusion of previously issued auditors' reports in future Company filings; alter the form of report we may issue on such financial statements; or otherwise affect our ability to continue as the Company's independent auditors. We will disclose any such withholding of information to the Audit Committee.
18. We will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. At the conclusion of the engagement, we will also obtain written representations from management about these matters, and that management: (1) has fulfilled its responsibility for the preparation and fair presentation of the consolidated financial statements and unaudited interim financial information in accordance with Canadian generally accepting accounting principles and that all transactions have been recorded and are reflected in the consolidated financial statements and unaudited interim financial information; and (2) has provided us with all relevant information and access as contemplated in this Agreement. The responses to those inquiries, the written

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representations, and the results of our procedures comprise evidence on which we will rely in forming an opinion on the consolidated financial statements and expressing a conclusion on the unaudited interim financial information.

19. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly as further described in the attached additional Terms and Conditions (refer to the provision captioned "Canadian Public Accountability Board").

Fees and billings

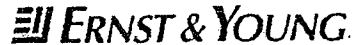
20. We estimate that our fees for the 2010 Audit Services will be between \$847,000 and \$879,000 plus out of pocket expenses and the review of the unaudited interim financial information will be between \$50,000 and \$60,000 plus out of pocket expenses per quarter in 2011. However, our actual fees may exceed the top of this range based on changes to the business (e.g., nature of the business or change in business entities) or out-of-scope work. Out-of-scope activities will be agreed with management on a weekly basis throughout the course of the audit. We will submit our invoices in accordance with the agreed upon billing schedule, and payment to them will be made upon receipt.
21. Our estimated pricing and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us and are dependent upon the Company's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of records, degree of cooperation, results of our audit procedures, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimates are based, we may adjust our fees and planned completion dates. Fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and will be the subject of other written agreements. Circumstances that that may significantly affect the targeted completion dates and our fee estimate include, but are not limited, to the following :

Audit facilitation

- (a) Changes to the timing of the engagement at the Company's request;
- (b) Audit schedules are not (i) provided by the Company on the date requested, (ii) completed in a format acceptable to EY, (iii) mathematically correct, or (iv) in agreement with Company records (e.g., general ledger accounts);
- (c) Significant delays in responding to our requests;
- (d) Deterioration in the quality of the Company's accounting records during the current year in comparison to the prior year;
- (e) A completed trial balance, referenced to the supporting analyses and schedules and financial statements, is not provided timely by the Company;

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- (f) Draft financial statements with appropriate supporting documentation are not prepared accurately and timely by the Company;
- (g) The engagement team, while performing work on the Company's premises, is not provided with high-speed access to the Internet for purposes of conducting the engagement.

Significant issues or changes

- (a) Significant deficiencies are identified in the Company's internal control over financial reporting that result in the expansion of our audit procedures;
 - (b) A significant level of proposed audit adjustments;
 - (c) A significant number of financial statement drafts are submitted for our review or a significant level of disclosure deficiencies in the draft financial statements;
 - (d) Significant new issues or changes, such as new accounting issues, changes, accounting policies, events or transactions not contemplated in our budgets, changes in the Company's financial reporting or IT systems, or changes in the Company's personnel, their responsibilities or their availability;
 - (e) Changes in audit scope caused by events that are beyond our control.
22. In addition, fees for any consent to the use of the audit report outside of Section "Use and disclosure of the audit report" below, any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the fees referred to above and may be the subject of other written agreements supplemental to those in this Agreement.
23. Canadian securities legislation requires that any reporting issuer filing an auditors' report dated on or after 30 March 2004 must have that report signed by an auditing firm that has registered with the Canadian Public Accountability Board ("CPAB"). Audit firms registered with CPAB are required to fund CPAB's costs. Fees are levied based on the most recent audit fees as defined by CPAB, charged by the Canadian firm and reported in our registration information. We will bill all reporting issuer clients a portion of the CPAB levy on a recovery basis. Your proportionate share will be based upon the most recent audit fees reported to CPAB and billed for your engagement, multiplied by the annual levy rate set by CPAB. CPAB sets the rate annually and the fee for the most recent year that has been determined was 2.0% of audit fees; however, the fee is subject to adjustment by CPAB. This amount will be charged at the effective CPAB rate annually and will be billed when the annual invoice is received from CPAB.

Use and disclosure of the audit report

24. The use and disclosure of EY's audit report shall be governed by the following terms:

Annual financial statements

- (a) EY acknowledges that the Company is a reporting issuer under Canadian securities legislation and/or is subject to securities legislation in other jurisdictions and has an obligation to file its annual financial statements, including EY's accompanying report (referred to as the "audit report") with such securities regulators as well as distribute those

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documents to its security holders, either as part of the Company's annual report to shareholders (referred to as the "annual report" or separately).

Filing those documents and/or including them in the annual report will result in such documents being "released" as that term is defined under applicable securities laws.

- (b) EY hereby consents (within the meaning contemplated by applicable securities laws) to the annual filing of the audit report and to the inclusion of the audit report in the annual report if all of the conditions set out below are met. The effective date of such consent is deemed to be the date of the audit report. The conditions are as follows:
- i. the filing of the audit report or the distribution of the annual report, as the case may be, occurs within 5 business days of the date of the audit report;
 - ii. neither the chief executive officer nor the chief financial officer of the Company is aware of anything which would result in the financial statements containing a misrepresentation (as such term is defined under applicable securities laws);
 - iii. since the date of the audit report, no "material change" (as that term is defined under applicable securities laws) or other event has occurred, or information has become available, that would require disclosure in or adjustment to the financial statements to make those statements current and in accordance with Canadian generally accepted accounting principles as of the date that they are being released; and
 - iv. the consent provided in this engagement letter has not been withdrawn in writing before the audit report is filed and/or the annual report is distributed.
- (c) EY expressly does not consent to the use of the audit report, or the opinions expressed in the audit report, in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any other circumstance, including but not limited to the inclusion of the report in any offering document, business acquisition report, inclusion in an annual report distributed after the outside date in paragraph (b)(i) or filing of the audit report after the outside date in paragraph (b)(i) or use by the Company or any other person of the audit report in any "document" or "public statement" (as those terms are defined under applicable securities laws).
- (d) If the Company wishes to (i) file the audit report with a securities commission after the outside date referred to in paragraph (b)(i) but within the time specified by the applicable securities legislation; or (ii) include the audit report in the annual report if the annual report is distributed after the outside date referred to in paragraph (b)(i) then a further written consent from EY is required and additional procedures as required in accordance with professional standards will be undertaken by EY.
- (e) If the Company wishes to include, summarize, quote from or otherwise use the audit report in any "document" or "public oral statement" (as those terms are defined under applicable securities laws), in any manner other than that permitted under paragraph (b) or (d), the following procedures will apply:
- i. the Company will, in writing, request EY's further written consent to that use;

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- ii. if EY agrees that the request is an appropriate use of the audit report, the Company and EY will enter into an engagement letter setting out the terms of such engagement, including the scope of the procedures to be undertaken by EY and its fee for performing these services; and
- iii. EY will undertake such additional procedures as are required in accordance with professional standards.

If, after completion of the applicable procedures, EY is in a position to provide its further written consent to such use, it will do so in accordance with CICA Handbook Section 7500, *The Auditor's Consent to the Use of the Auditors' Report in Connection with Designated Documents*, published by the Canadian Institute of Chartered Accountants.

Interim financial statements

We expressly do not consent to the use of any communication, report, statement or opinion prepared by EY on the interim financial statements and such communication may not be included in, summarized in, quoted from or otherwise used in any "document" or "public oral statement" (as such terms are defined under applicable securities laws).

Other matters

25. The Company shall provide us with copies of the printer's proofs of its annual report prior to publication for our review. Management of the Company is primarily responsible to ensure that the annual report contains no misrepresentations. We will review the document for consistency between the annual consolidated financial statements and other information contained in the document, and to determine if the consolidated financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies that may affect the consolidated financial statements, we will advise management and those charged with governance, as appropriate.

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We appreciate the opportunity to be of assistance to the Company. If this Agreement accurately reflects the terms and conditions on which the Company has agreed to engage us, please sign below on behalf of the Company and return it to Mr. Fred Clifford, 222 Bay Street, Toronto, ON, M5K 1J7.

Yours very truly,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Agreed:
Sino-Forest Corporation

Acknowledged on behalf of the
Company's Audit Committee:

By: *[Signature]*
Name: Mr. David Horsley
Title: Chief Financial Officer

By: *[Signature]*
Name: Mr. Jamie Hyde
Title: Chairman of the Audit Committee

I have the authority to bind the Company:

[Handwritten mark] 02/01/11

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General Terms and Conditions

Our relationship with you

1. We are a member of the global network of Ernst & Young firms ("EY Firms"), each of which is a separate legal entity.
2. We may subcontract portions of the Services to other EY Firms, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Report(s), the performance of the Services, and our other obligations under this Agreement.

Your responsibilities

3. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our reports

4. You may not rely on any draft Report.

Notice re: Québec

5. From time to time, we may have individual partners and employees performing the Services within the Province of Québec who are members of the *Ordre des comptables agréés du Québec*. Any individual member of the *Ordre des comptables agréés du Québec* performing professional services hereunder assumes full personal civil liability arising from the practice of his or her profession, regardless of his or her status within our partnership. He or she may not invoke the liability of our partnership as a ground for excluding or limiting his or her own liability. The limitations that follow below under the heading "Limitations" shall therefore not apply to limit the personal civil liability of members of the *Ordre des comptables agréés du Québec* (and with respect to such members, such limitations shall be deemed to not be included in this Agreement).

Limitations

6. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, any amount with respect to loss of profit, data or goodwill, or any other

consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, whether or not the likelihood of such loss or damage was contemplated.

7. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, aggregate damages in excess of the greater of (i) the total fees paid to us for the Services and (ii) \$1,000,000. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations.
8. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise in connection with the Services, for loss or damage to which any other persons have also contributed, our liability to you shall be several and not joint and several, solidary or *in solidum*, with such others, and shall be limited to our fair share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
9. You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware (or ought reasonably to have become aware) of the facts giving rise to any alleged such claim and in any event, no later than two years after the completion of the particular Services (and the parties agree that the limitation periods established by the *Limitations Act, 2002* (Ontario) or any other applicable legislation shall be varied and/or excluded accordingly). This limitation will not apply to the extent prohibited by applicable law or professional regulations.

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10. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees ("EY Persons"). You shall make any claim or bring proceedings only against us. The limitations in Sections 6 through 9 and this Section 10 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

for quality, risk management or financial accounting purposes.

Canadian Public Accountability Board

Indemnity

11. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the Services or this Agreement. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "Claims"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

15. You acknowledge that we may from time to time receive requests or orders from the Canadian Public Accountability Board ("CPAB") to provide them with information and copies of documents in our files, including our working papers and other work-product relating to your affairs. You consent to us providing or producing, as applicable, these documents and information without further reference to, or authority from, you. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of our audit of you, we will advise you of the request or order.

16. When CPAB requests access to our working papers or other work-product relating to your affairs, we will, on a reasonable efforts basis, refuse access to any document over which you have expressly informed us that you assert privilege, except where CPAB has the legal authority to access such documents. In jurisdictions where express consent is required for disclosure of privileged documents to CPAB you hereby provide such consent. We acknowledge (and you authorize us to advise CPAB) that any disclosure of privileged documents to CPAB is permitted only to the extent required by law and for the limited purpose of CPAB's exercise of statutory authority. We also acknowledge (and you authorize us to advise CPAB) that you do not intend to waive privilege for any other purpose and that you expect your documents to be held by CPAB as privileged and confidential material. You must mark any document over which you assert privilege as privileged and inform us of the grounds for your assertion of privilege (such as whether you claim solicitor-client privilege or litigation privilege).

Confidentiality

12. We follow professional standards of confidentiality and will treat information related to you disclosed to us by you or on your behalf ("Client Information") as set forth in the Rules of Professional Conduct of provincial Institutes of Chartered Accountants or the Code of Ethics of the *Ordre des comptables agr es du Qu bec* (as applicable).

17. We will also be required to provide CPAB with information relating to the fees that you pay us for audit services, other accounting services and non-audit services (and you agree to the disclosure of such information).

13. Either of us may use electronic media to correspond or transmit information and such use will not in itself constitute a breach of any confidentiality obligations.

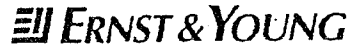
14. We may disclose Client Information to other EY Firms and EY Persons to facilitate performance of the Services, to comply with regulatory requirements, to check conflicts, or

Data protection

18. We may collect, use, transfer, store or otherwise process (collectively, "Process")

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Client Information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in which we and the other EY Firms operate (which are listed at www.ey.com). We will Process Personal Data in accordance with applicable law, professional regulations and our privacy policy (which is available at www.ey.com/ca). We will require any service provider that Processes Personal Data on our behalf to adhere to such requirements.

19. You warrant that you have the authority to provide the Personal Data to us in connection with the performance of the Services and that the Personal Data provided to us has been Processed in accordance with applicable law.

Solicitation and hiring of EY personnel

20. Our auditor independence may be impaired if you solicit or hire certain EY personnel. This may either delay the provision of the Services or cause us to resign from the engagement. You shall not, during the term of this Agreement, and for 12 months following its termination for any reason, without our prior written consent, solicit for employment or hire in any role, including a position on your Board of Directors, any current or former partner or professional employee of EY, any affiliate thereof, any other EY Firm or any of their respective affiliates, if any such person either: i) performed any audit, review, attest or related service for or relating to you at any time (a) since the date on which your most recent audited financial statements were filed with the relevant securities regulator(s) or stock exchange(s) (or, since the beginning of the most recent fiscal year to be covered by your first such financial statements, if applicable), or (b) in the 12 months ended the date on which your most recent financial statements were filed with the relevant securities regulator(s) or stock exchange(s); or (ii) influences EY's operations or financial policies or has any capital balances or any other continuing financial arrangement with EY.

Fees and expenses generally

21. You shall pay our professional fees and expenses in connection with the Services. In lieu of specific itemized charges, our technology tools, administrative support personnel, printing and other routine expenses

are charged at 11.5% of our professional fees. Out-of-pocket expenses for items such as travel, meals, accommodation and other matters specifically related to this engagement will also be invoiced. Our invoices are rendered on a periodic basis as our assignment progresses. Payment of our invoices is due upon receipt. Interest on overdue accounts accrues at 12% per annum starting 30 days following the date of our invoice. EY may suspend performance of the Services in the event you fail to pay our invoice. Our fees are exclusive of taxes or similar charges, as well as customs, duties or tariffs imposed in respect of the Services, all of which you shall pay (other than taxes imposed on our income generally).

22. If we are required by applicable law, legal process or government action to produce information or personnel as witnesses with respect to the Services or this Agreement, you shall reimburse us for any professional time and expenses (including reasonable external and internal legal costs) incurred to respond to the request, unless we are a party to the proceeding or the subject of the investigation.

Force majeure

23. Neither you nor we shall be liable for breach of this Agreement (other than payment obligations) caused by circumstances beyond your or our reasonable control.

Term and termination

24. This Agreement applies to all Services performed at any time (including before the date of this Agreement).
25. This Agreement shall terminate on the completion of the Services. We may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.
26. You shall pay us for all work-in-progress, Services already performed, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due within 30 days following receipt of our invoice for these amounts.

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27. The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement.

those parts shall have precedence as follows (unless expressly agreed otherwise): (a) the letter to which these General Terms and Conditions are attached, (b) these General Terms and Conditions, and (c) other annexes to this Agreement.

Governing law and dispute resolution

28. This Agreement, and any non-contractual obligations arising out of this Agreement or the Services, shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. Any dispute, claim or other matter arising out of or relating to this Agreement or the Services shall be subject to the exclusive jurisdiction of the Ontario courts, to which each of us agrees to submit for these purposes.

35. We are a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and we are registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, an LLP partner is not personally liable for the debts, obligations or liabilities of the LLP arising from the negligence of persons not under his or her direct supervision (including other LLP partners) or most other debts or obligations of the LLP. As an LLP, we are required to maintain certain insurance. Our insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.

Miscellaneous

29. This Agreement constitutes the entire agreement between us as to the Services and the other matters it covers, and supersedes all prior agreements, understandings and representations with respect thereto, including any confidentiality agreements previously delivered.

30. Both of us may execute this Agreement (and modifications or supplements to it) by electronic means and each of us may sign a different copy of the same document. Both of us must agree in writing to modify or supplement this Agreement.

31. We retain ownership in the working papers compiled in connection with the Services.

32. Neither of us may assign any of our rights, obligations or claims under this Agreement.

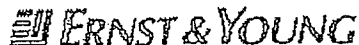
33. If any provision of this Agreement (in whole or part) is held to be illegal, invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.

34. If there is any inconsistency between provisions in different parts of this Agreement,

J. J. J.

TAB 2

**July 4, 2008 offering memorandum engagement letter for
Convertible Senior Notes due 2013**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1L7
Tel: 604 891 8200
Fax: 604 643 5422
ey.com/ca

July 4, 2008

Mr. Jamie Hyde
Chair of the Audit Committee
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Dear Sirs:

Re: Offering Memorandum

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the offering memorandum for convertible senior notes of Sino-Forest Corporation (the "Company"). Our partner, Linda Zhu, will have primary responsibility for this engagement.

Management of the Company and the underwriter bear the primary responsibility to ensure the offering memorandum contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 – *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the offering document.

Audited financial statements

Pursuant to Canadian securities laws, the comparative annual financial statements for the most recently completed financial year are included in the offering memorandum.

- Balance sheets as at the end of the three most recently completed years; and
- Statements of income and retained earnings, comprehensive income and cash flows for each of the last three years.

We have audited the balance sheet of the Company as at December 31, 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the year then ended. Our report to the shareholders on the annual financial statements for the year ended December 31, 2007 was dated March 12, 2008 and is to be included in the offering memorandum relating to the offering and issue of convertible senior notes of the Company, to be filed by the Company under the securities legislations of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Quebec and Newfoundland and Labrador.

A member firm of Ernst & Young Global Limited



In order to provide our consent to the use of our auditors' report in the offering memorandum, it will be necessary for us to perform subsequent events review procedures with respect to the preliminary and final offering memorandum and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' report in the offering memorandum that may require an adjustment to, or disclosure in, the audited financial statements or other information in the offering memorandum that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited interim financial statements

Securities legislation requires that the offering memorandum includes comparative unaudited interim financial statements for the current fiscal year. In order to consent to the use of our auditors' report in the offering memorandum described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three months ended March 31, 2008 to be included in the offering memorandum.

The period covered by the interim financial information is specified by securities legislation. If the final offering memorandum is delayed, it may be necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2008 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be included in the offering memorandum, we will provide a written report on our review thereof to be included in the offering memorandum.



Other information in the offering memorandum

In addition to financial statements, an offering memorandum includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the offering memorandum in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the offering memorandum, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by other parties

We are required by provincial securities legislation and upon the request of the underwriter to issue the following letters:

Upon filing the preliminary offering memorandum:

- An unsigned comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the offering memorandum.

Upon filing the final offering memorandum:

- A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the offering memorandum.

Upon closing of the offering:

- A bring-down letter addressed to the Directors of the Company and the underwriter.



Auditor assistance to the underwriter

As indicated above, in connection with the proposed offering of convertible senior notes, we understand that the underwriting agreement will provide that we perform certain procedures for the purpose of issuing a comfort letter to Merrill Lynch International (the "underwriter"). The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements included in the offering memorandum, and set out the procedures performed at the underwriter's request and the results of performing those procedures. In addition, we understand that the underwriter may request that we attend a meeting (the "due diligence meeting") at which the underwriter and the underwriter's legal counsel may wish to ask us certain questions, and that you have agreed to grant such a request. We understand that the underwriter is an experienced underwriter and will be carrying out other procedures it deems appropriate to obtain whatever information it believes is necessary to complete its investigation of the financial affairs of the Company. Our audits of the Company's financial statements referred to above were not carried out for the purpose of such investigation, and our auditors' reports, our comfort letter, and the answers that we may give at the due diligence meeting are not to be relied upon for that purpose.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses at the due diligence meeting will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of the convertible senior notes. At due diligence meetings we will not respond to underwriters' questions dealing with matters that are generally management's concern or that involve predictions about future events or which are beyond the scope of our practice and personal knowledge. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer all questions asked at the due diligence meeting.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to the questions asked at the due diligence meeting result in termination of, or change in, the proposed offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to cooperate in every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures and by answering any questions they may ask in the due diligence meeting.



You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter or our attendance at the due diligence meeting and our responses to questions asked at such meeting.

We shall advise the underwriter that information acquired by them in our comfort letter or as a result of our responses to their questions at the due diligence meeting is confidential and is to be used only in connection with the securities offering referred to above. In addition, we will notify the underwriter of our professional standards for participation in a due diligence meeting.

Fees

Our fees will be billed as work progresses are based on the amount of time required, at our billing rates, ranging from \$200 to \$500 per hour, plus out-of-pocket expenses. Payment in full should be made within 30 days of the date each billing is received.

Our estimated fees and schedule of performance are based upon, among other things, the assumption that all necessary information will be available to us on a timely basis and that the scope of our services is not expanded beyond those described herein. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

We very much appreciate the opportunity to provide services to the Company in respect of the offering memorandum and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.

Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

Yours very truly,

Ernst & Young LLP

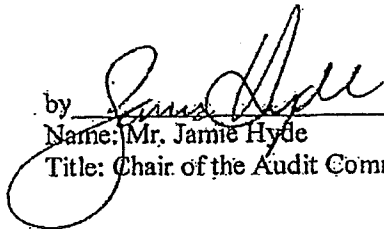
Chartered Accountants



Agreed:
Sino-Forest Corporation

Acknowledged on behalf of the
Company's Audit Committee:

by _____
Name: Mr. David Horsley
Title: Chief Financial Officer

by 
Name: Mr. Jamie Hyde
Title: Chair of the Audit Committee

I have the authority to bind the Company.



Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected Events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client Data & Information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **EY Waiver Re: Tax Advice** - Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:
 - (a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
 - (i) has any filing obligation with the US Internal Revenue Service, or
 - (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that own in the aggregate more than 50% of the total vote or value of such non-US corporation);
 - (b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or
 - (c) where SEC audit independence restrictions apply to the relationship between client and any EY Entity, any oral or written statement or advice to client as to any potential tax consequences that may result from a transaction or the tax treatment of an item,(together, (a), (b) and (c) referred to as "Tax Advice"),



EY expressly authorizes client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of client and is not to be relied upon by any other person or entity, client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY's prior written consent.

6. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.
7. **Auditor Oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of client, EY will advise client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which client has expressly informed EY that client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for client's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from client for the provision of audit services, other accounting services and non-audit services.

8. **Internet Communications** - Unless otherwise agreed with client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
9. **Right to Terminate Services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event client fails to pay any amount required to be paid under this Agreement.



10. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
11. **Billing & Taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by client without deduction from the fees, expenses and charges hereunder.
12. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
13. **EY Reports** - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of an engagement ("Reports"), although client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "EY Waiver Re: Tax Advice" above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, except as otherwise specifically agreed in the engagement letter into which these terms and conditions are incorporated client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed for client will not be planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. Client may not rely on any draft Report.
14. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
 - (a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
 - (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the



- performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
- (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("*Limitation of Liability*"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

15. **Global Resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
16. **No Application** - The preceding two sections (*Limitation of Liability*, *Global Resources*) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
17. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if client were to hire certain EY personnel. Without the prior written consent of EY, client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to client at any time since the date of filing of client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by client's first such financial statements), or in the 12 months preceding that date.
18. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
19. **Legal Proceedings** - In the event EY is requested by client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for client, and provided that EY is not a party to the legal proceedings, client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.



20. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.
21. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Client Data & Information, Confidentiality, EY Waiver Re: Tax Advice, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings*. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

May 17, 2009 short form prospectus engagement letter



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7
Tel: 604 891 8200
Fax: 604 643 5422
ey.com/ca

May 17, 2009

Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Re: Short Form Prospectus

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the prospectus for Sino-Forest Corporation (the "Company"). Our partner, Linda Zhu, will have primary responsibility for this engagement.

Management of the Company and the underwriter bear the primary responsibility to ensure the prospectus contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 – *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the prospectus. Our consent is to be included in the prospectus.

Audited financial statements

Pursuant to Canadian securities laws, the comparative annual financial statements for the most recently completed financial year are incorporated by reference in the prospectus.

We have audited the balance sheets of the Company as at December 31, 2008 and 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the years then ended. Our report to the shareholders on the comparative annual financial statements for the year ended December 31, 2008 was dated March 13, 2009 and is to be incorporated by reference in the prospectus relating to the offering of common shares of the Company, to be filed by the Company under the Securities Acts of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador (the "Acts").

In order to provide our consent to the use of our auditors' report in the prospectus, it will be necessary for us to perform subsequent events review procedures with respect to the preliminary and final prospectuses and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' report in the prospectus that may require an adjustment to, or disclosure in, the audited financial

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statements or other information in the prospectus that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited interim financial statements

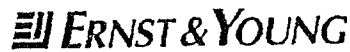
Pursuant to Canadian securities laws, comparative interim financial statements for the most recently completed financial period are incorporated by reference in the prospectus. In order to consent to the use of our auditors' report in the prospectus described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three months ended March 31, 2009 and 2008 and any other interim financial statements that may be issued and incorporated by reference in the prospectus. We have reviewed the interim consolidated financial statement for the three month periods ended March 31, 2009 and 2008 and provided our report thereon to the audit committee of Sino-Forest Corporation. In order for the interim financial statements for the three months period ended March 31, 2009 and 2008 to be incorporated by reference in the short form prospectus, we will have to complete additional subsequent event review procedures.

The period covered by the interim financial information is specified by securities legislation. If the final prospectus is delayed, it may be necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2009 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the prospectus, we will provide a written report on our review thereof to be included in the prospectus.



Other information in the prospectus

In addition to financial statements, a prospectus includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the prospectus in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the prospectus, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by securities commissions and other parties

We are required by provincial securities legislation to issue the following letters:

Upon filing the preliminary prospectus:

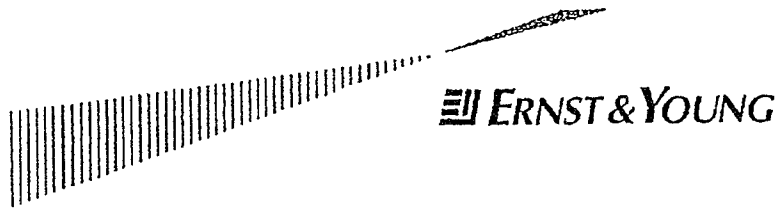
- (i) An unsigned comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the prospectus;

Upon filing the final prospectus:

- (i) Consent letters addressed to the securities commissions, in which we give our consent to the use of our report in the prospectus;
- (ii) A comfort letter addressed to the securities regulatory authorities expressing negative assurance with respect to unaudited interim financial statements incorporated by reference in the prospectus;
- (iii) A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the prospectus;

Upon closing of the prospectus:

- (i) An updated comfort letter addressed to the Directors of the Company and the underwriter.



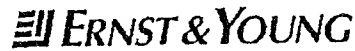
Auditor assistance to the underwriter

As indicated above, in connection with the proposed offering of securities, we understand that the underwriting agreement will provide that we perform certain procedures for the purpose of issuing a comfort letter to Credit Suisse Securities (Canada) Inc. (the "underwriter"). The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the prospectus, and set out the procedures performed at the underwriter's request and the results of performing those procedures. In addition, we understand that the underwriter may request that we attend a meeting (the "due diligence meeting") at which the underwriter and the underwriter's legal counsel may wish to ask us certain questions, and that you have agreed to grant such a request. We understand that the underwriter is an experienced underwriter and will be carrying out other procedures it deems appropriate to obtain whatever information it believes is necessary to complete its investigation of the financial affairs of the Company. Our audits of the Company's financial statements referred to above were not carried out for the purpose of such investigation, and our auditors' reports, our comfort letter, and the answers that we may give at the due diligence meeting are not to be relied upon for that purpose.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses at the due diligence meeting will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of securities. At due diligence meetings we will not respond to underwriters' questions dealing with matters that are generally management's concern or that involve predictions about future events or which are beyond the scope of our practice and personal knowledge. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer all questions asked at the due diligence meeting.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to the questions asked at the due diligence meeting result in termination of, or change in, the proposed securities offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to cooperate in



every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures and by answering any questions they may ask in the due diligence meeting.

You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter or our attendance at the due diligence meeting and our responses to questions asked at such meeting.

We shall advise the underwriter that information acquired by them in our comfort letter or as a result of our responses to their questions at the due diligence meeting is confidential and is to be used only in connection with the securities offering referred to above. In addition, we will notify the underwriter of our professional standards for participation in a due diligence meeting.

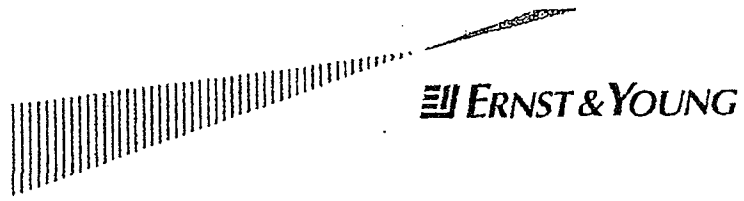
Fees

Our fees will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted excluded applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

Level	Hourly rate
Partner	\$650
Senior Manager	\$450
Manager	\$350
Senior	\$225
Staff	\$150

Our estimated fees and schedule of performance are based upon, among other things, the assumption that all necessary information will be available to us on a timely basis and that the scope of our services is not expanded beyond those described herein. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

We very much appreciate the opportunity to provide services to the Company in respect of the prospectus and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.



Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

Yours very truly,

Ernst & Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

Acknowledged on behalf of the
Company's Audit Committee:

by *David Horsley*
Name: Mr. David Horsley
Title: Chief Financial Officer

by *Jamie Hyde*
Name: Mr. Jamie Hyde
Title: Chair of the Audit Committee



Terms and conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

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3. **Client data and information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
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5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.



6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to Client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed EY that Client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for Client's assertion of privilege (such as whether it claims solicitor-Client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from Client for the provision of audit services, other accounting services and non-audit services.

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8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.



9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.
11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.



13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,

(a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;

(b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and

(c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

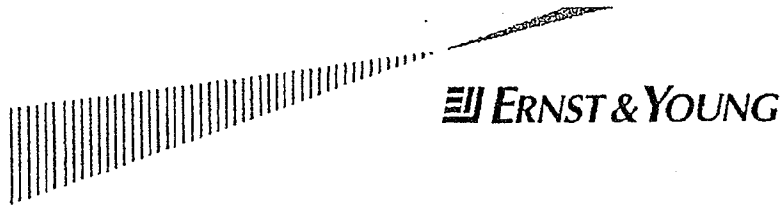
For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.

15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).



16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.



20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**June 22, 2009 offering memorandum engagement letter for
Exchange of Guaranteed Senior Notes due 2011**

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JUN 29 2009

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ERNST & YOUNG

Ernst & Young LLP
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Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

22 June 2009

Exchange Offer Memorandum ("Offering Memorandum")

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the Offering Memorandum for Sino-Forest Corporation (the "Company") for the offer to exchange any and all outstanding US\$300,000,000 9.125% Guaranteed Senior Notes Due 2011 (the "Exchange Notes") issued by the Company. Our partner, Linda Zhu, will have primary responsibility for this engagement.

Management of the Company and Credit Suisse Securities (USA) LLC (the "Deal Manager") bear the primary responsibility to ensure the Offering Memorandum contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 - *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the Offering Memorandum. Our consent is to be included in the Offering Memorandum.

Audited financial statements

We have audited the balance sheets of the Company as at December 31, 2008 and 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the years then ended. Our report to the shareholders on the comparative annual financial statements for the year ended December 31, 2008 was dated March 13, 2009 and is to be incorporated by reference in the Offering Memorandum. Our report to the directors of the company on the 2007 financial statements dated March 12, 2008 except as to notes 2, 18 and 23 which are as of July 17, 2008 will also be incorporated by reference in the Offering Memorandum.

In order to provide our consent to the use of our auditors' reports in the Offering Memorandum, it will be necessary for us to perform subsequent events review procedures with respect to the Offering Memorandum and any updates thereof, and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' reports in the Offering Memorandum that may require an adjustment to, or disclosure in, the audited financial statements or other information in the Offering

[Handwritten Signature]
6/29/09 JUN 29 2009
A member firm of Ernst & Young Global Limited



Memorandum that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited Interim financial statements

Comparative interim financial statements for the most recently completed financial period are incorporated by reference in the Offering Memorandum. In order to consent to the use of our auditors' report in the Offering Memorandum described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three months ended March 31, 2009 and 2008 and any other interim financial statements that may be issued and incorporated by reference in the Offering Memorandum. We have reviewed the interim consolidated financial statement for the three month periods ended March 31, 2009 and 2008 and provided our report thereon to the audit committee of the Company. In order for the interim financial statements for the three months period ended March 31, 2009 and 2008 to be incorporated by reference in the Offering Memorandum, we will have to complete additional subsequent event review procedures.

If the final Offering Memorandum is delayed, the Company may determine that it is necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2009 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the Offering Memorandum, we will provide a written report on our review thereof to be incorporated by reference in the Offering Memorandum.



Other information in the Offering Memorandum

In addition to financial statements, the Offering Memorandum includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the Offering Memorandum in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the Offering Memorandum, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by other parties

We are required upon the request of the Deal Manager to issue the following letters:

Upon completion of the Offering Memorandum:

- A comfort letter addressed to the Directors of the Company and the Deal Manager expressing assurances with respect to specified financial information included or incorporated by reference in the offering memorandum.

Upon closing of the offering:

- A bring-down letter addressed to the Directors of the Company and the Deal Manager.



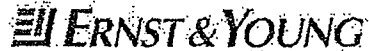
Auditor assistance to the Deal Manager

As indicated above, in connection with the proposed offering of Exchange Notes, we understand that the Deal Manager request that we perform certain procedures for the purpose of issuing a comfort letter to the Deal Manager. The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the Offering Memorandum, and set out the procedures performed at the Deal Manager's request and the results of performing those procedures. In addition, we understand that the Deal Manager may request that we attend a meeting (the "due diligence meeting") at which the Deal Manager and the Deal Manager's legal counsels may wish to ask us certain questions, and that you have agreed to grant such a request. We understand that the Deal Manager is an experienced agent and will be carrying out other procedures it deems appropriate to obtain whatever information it believes is necessary to complete its investigation of the financial affairs of the Company. Our audits of the Company's financial statements referred to above were not carried out for the purpose of such investigation, and our auditors' reports, our comfort letter, and the answers that we may give at the due diligence meeting are not to be relied upon for that purpose.

We will attend a due diligence meeting and provide a comfort letter to the Deal Manager which we will prepare in accordance with the guidance contained in CICA Section 7200, subject to our receipt of a letter of representation from the Deal Manager regarding the Offering Memorandum which is satisfactory to us. We will advise you of the matters on which the Deal Manager is seeking comfort and the procedures they are requesting. As the Company, not the Deal Manager, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

Our comfort letter is not to be relied upon, quoted or referred to by the addressees or any of their registered broker-dealer foreign affiliates in connection with the offer, sale or exchange of the securities outside of Canada and the United States. For greater certainty, our comfort letter is not to be relied upon, quoted or referred to by the addressees or any of their registered broker-dealer foreign affiliates in connection with the offer, sale or exchange of the securities in foreign jurisdictions, including, without limitation, any offer or sale of such securities on an exempt basis outside of Canada and the United States under any applicable registration exemptions referred to in the Offering Memorandum.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses at the due diligence meeting will address all of the questions that the Deal Manager and the Deal Manager's legal counsels may have.



You should be aware that there could be sensitive matters that the Deal Manager and the Deal Manager's legal counsels may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of the Exchange Notes. At the due diligence meetings we will not respond to Deal Manager's questions dealing with matters that are generally management's concern or that involve predictions about future events or which are beyond the scope of our practice and personal knowledge. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer all questions asked at the due diligence meeting.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to questions asked at the due diligence meeting result in termination of, or change in, the proposed offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to cooperate in every way with the Deal Manager and the Deal Manager's legal counsels, by performing the requested procedures and by answering any questions they may ask in the due diligence meeting.

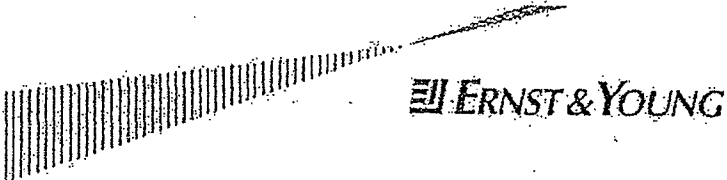
You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the Deal Manager and the Deal Manager's legal counsel, or any other third party, that arises as a result of our comfort letter or our attendance at the due diligence meeting and our responses to questions asked at such meeting.

We shall advise the Deal Manager that information acquired by them in our comfort letter or as a result of our responses to their questions at the due diligence meeting is confidential and is to be used only in connection with the Exchange Notes offering referred to above. In addition, we will notify the Deal Manager of our professional standards for participation in a due diligence meeting.

Fees

Our fees which will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted exclude applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

Level	Hourly rate
Partner	\$650
Senior Manager	\$450
Manager	\$350
Senior	\$225
Staff	\$150



We very much appreciate the opportunity to provide services to the Company in respect of the Offering Memorandum and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.

Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

Yours very truly,

Ernst & Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

by *David Horsley*
Name: Mr. David Horsley
Title: Chief Financial Officer

Acknowledged on behalf of the
Company's Audit Committee:

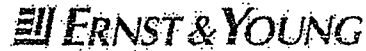
by *Jamie Hyde*
Name: Mr. Jamie Hyde
Title: Chair of the Audit Committee



Terms and conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client data and information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.

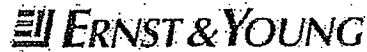


6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to Client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed EY that Client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for Client's assertion of privilege (such as whether it claims solicitor-Client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from Client for the provision of audit services, other accounting services and non-audit services.

7. **Internet communications** - Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.



9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.
11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.

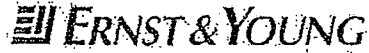


13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,

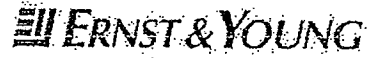
- (a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
- (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
- (c) In any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.



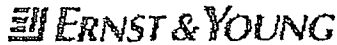
15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.



20. Miscellaneous - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

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November 17, 2009 short form prospectus engagement letter



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 20111
Vancouver, British Columbia V7Y 1C7
Tel: 604 891 8200
Fax: 604 643 5422
ey.com/25

November 17, 2009

Mr. James Hyde
Chair of the Audit Committee
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Re: Short Form Prospectus

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the prospectus for Sino-Forest Corporation (the "Company"). Our partner, Linda Zhu, will have primary responsibility for this engagement.


Management of the Company and the underwriter bear the primary responsibility to ensure the prospectus contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 – *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the prospectus. Our consent is to be included in the prospectus.

Audited financial statements

Pursuant to Canadian securities laws, the comparative annual financial statements for the most recently completed financial year are incorporated by reference in the prospectus.

We have audited the balance sheets of the Company as at December 31, 2008 and 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the years then ended. Our report to the shareholders on the comparative annual financial statements for the year ended December 31, 2008 was dated March 13, 2009 and is to be incorporated by reference in the prospectus relating to the offering of common shares of the Company, to be filed by the Company under the Securities Acts of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Quebec and Newfoundland and Labrador (the "Acts").

In order to provide our consent to the use of our auditors' report in the prospectus, it will be necessary for us to perform subsequent events review procedures with respect to the preliminary and final prospectuses and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' report in the prospectus that may require an adjustment to, or disclosure in, the audited financial


Ernst & Young
FEB 18 2010



statements or other information in the prospectus that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited interim financial statements

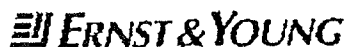
Pursuant to Canadian securities laws, comparative interim financial statements for the most recently completed financial period are incorporated by reference in the prospectus. In order to consent to the use of our auditors' report in the prospectus described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three and nine months ended September 30, 2009 and 2008 and any other interim financial statements that may be issued and incorporated by reference in the prospectus. We have reviewed the interim consolidated financial statement for the three and nine month period ended September 30, 2009 and 2008 and provided our report thereon to the audit committee of Sino-Forest Corporation. In order for the interim financial statements for the three and nine months period ended September 30, 2009 and 2008 to be incorporated by reference in the short form prospectus, we will have to complete additional subsequent event review procedures.

The period covered by the interim financial information is specified by securities legislation. If the final prospectus is delayed, it may be necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2009 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the prospectus, we will provide a written report on our review thereof to be included in the prospectus.



Other information in the prospectus

In addition to financial statements, a prospectus includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the prospectus in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the prospectus, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by securities commissions and other parties

We are required by provincial securities legislation to issue the following letters:

Upon filing the preliminary prospectus:

- (i) An unsigned comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the prospectus;

Upon filing the final prospectus:

- (i) Consent letters addressed to the securities commissions and the underwriter, in which we give our consent to the use of our report in the prospectus;
- (ii) A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the prospectus;

Upon closing of the prospectus:

- (i) An updated comfort letter addressed to the Directors of the Company and the underwriter.



Auditor assistance to the underwriter

As indicated above, in connection with the proposed offering of securities, we understand that the underwriting agreement will provide that we perform certain procedures for the purpose of issuing a comfort letter to the underwriter. The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the prospectus, and set out the procedures performed at the underwriter's request and the results of performing those procedures. In addition, we understand that the underwriter may request that we attend a meeting (the "due diligence meeting") at which the underwriter and the underwriter's legal counsel may wish to ask us certain questions, and that you have agreed to grant such a request. We understand that the underwriter is an experienced underwriter and will be carrying out other procedures it deems appropriate to obtain whatever information it believes is necessary to complete its investigation of the financial affairs of the Company. Our audits of the Company's financial statements referred to above were not carried out for the purpose of such investigation, and our auditors' reports, our comfort letter, and the answers that we may give at the due diligence meeting are not to be relied upon for that purpose.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter and our responses at the due diligence meeting will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address either in the comfort letter or during the due diligence meeting that could affect the outcome of the proposed offering of securities. At due diligence meetings we will not respond to underwriters' questions dealing with matters that are generally management's concern or that involve predictions about future events or which are beyond the scope of our practice and personal knowledge. Unless otherwise instructed by you, we shall attempt to perform all of the requested procedures and answer all questions asked at the due diligence meeting.

You acknowledge that we have no responsibility to you if the results of our procedures or our answers to the questions asked at the due diligence meeting result in termination of, or change in, the proposed securities offering or in misuse of any confidential information discussed at the meeting. You also acknowledge that you have requested us to cooperate in



every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures and by answering any questions they may ask in the due diligence meeting.

You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter or our attendance at the due diligence meeting and our responses to questions asked at such meeting.

We shall advise the underwriter that information acquired by them in our comfort letter or as a result of our responses to their questions at the due diligence meeting is confidential and is to be used only in connection with the securities offering referred to above. In addition, we will notify the underwriter of our professional standards for participation in a due diligence meeting.

Fees

Our fees will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted excluded applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

Level	Hourly rate
Partner	\$650
Senior Manager	\$450
Manager	\$350
Senior	\$225
Staff	\$150

Our estimated fees and schedule of performance are based upon, among other things, the assumption that all necessary information will be available to us on a timely basis and that the scope of our services is not expanded beyond those described herein. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

We very much appreciate the opportunity to provide services to the Company in respect of the prospectus and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.



Additional terms and conditions are attached and form an integral part of this engagement letter, they govern our respective rights and obligations arising out of this engagement.

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us:

Yours very truly,

Ernst & Young LLP

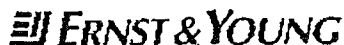
Chartered Accountants

Agreed:
Sino-Forest Corporation

by *David Horsley*
Name: Mr. David Horsley
Title: Chief Financial Officer

Acknowledged on behalf of the
Company's Audit Committee:

by *Jamie Hyde*
Name: Mr. Jamie Hyde
Title: Chair of the Audit Committee



Terms and conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client data and information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.



6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to Client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed EY that Client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for Client's assertion of privilege (such as whether it claims solicitor-Client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from Client for the provision of audit services, other accounting services and non-audit services.

7. **Internet communications** - Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.



9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.
11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.



13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,

(a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;

(b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and

(c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.

15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).

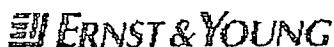


16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.



20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**November 17, 2009 offering memorandum engagement letter for
Convertible Senior Notes due 2016**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7
Tel: 604 891 3200
Fax: 604 643 5422
e.young.ca

November 17, 2009

Mr. James Hyde
Chair of the Audit Committee
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Re: Offering Memorandum

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the offering memorandum for convertible senior notes of Sino-Forest Corporation (the "Company"). Our partner, Linda Zhu, will have primary responsibility for this engagement.

Management of the Company and the underwriter bear the primary responsibility to ensure the offering memorandum contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 – *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the offering document.

Audited financial statements

We have audited the balance sheets of the Company as at December 31, 2008 and 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the years then ended. Our report to the shareholders on the comparative annual financial statements for the year ended December 31, 2008 was dated March 13, 2009 and is to be incorporated by reference in the offering memorandum relating to the offering and issue of convertible senior notes of the Company. Our report to the directors of the company on the 2007 financial statements dated March 12, 2008 except as to notes 2, 18 and 23 which are as of July 17, 2008 will also be incorporated by reference in the offering memorandum, to be filed by the Company under the securities legislations of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador.

In order to provide our consent to the use of our auditors' report in the offering memorandum, it will be necessary for us to perform subsequent events review procedures with respect to the preliminary and final offering memorandum and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' report in the offering memorandum that may require an adjustment to, or disclosure in, the audited financial statements or other information in the offering memorandum that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Ernst & Young LLP

FEB 10 2010



Unaudited interim financial statements

Comparative interim financial statements for the most recently completed financial period are incorporated by reference in the offering memorandum. In order to consent to the use of our auditors' report in the offering memorandum described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three and nine months ended September 30, 2009 and 2008 and any other interim financial statements that may be issued and incorporated by reference in the offering memorandum. We have reviewed the interim consolidated financial statement for the three and nine month period ended September 30, 2009 and 2008 and provided our report thereon to the audit committee of Sino-Forest Corporation. In order for the interim financial statements for the three and nine months period ended September 30, 2009 and 2008 to be incorporated by reference in the offering memorandum, we will have to complete additional subsequent event review procedures.

If the final offering memorandum is delayed, the company may determine that it is necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2009 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the offering memorandum, we will provide a written report on our review thereof to be included in the offering memorandum.

Other Information in the offering memorandum

In addition to financial statements, the offering memorandum includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the offering memorandum in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the offering memorandum, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the



event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by other parties

Upon the request of the underwriter, we will issue the following letters:

Upon filing the preliminary offering memorandum:

- An unsigned comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the offering memorandum.

Upon filing the final offering memorandum:

- Consent letters addressed to the underwriter, in which we give our consent to the use of our report in the offering memorandum.
- A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the offering memorandum.

Upon closing of the offering:

- An updated comfort letter addressed to the Directors of the Company and the underwriter.



Auditor assistance to the underwriter

We understand that the underwriter wishes for us to perform certain procedures for the purpose of issuing a comfort letter to the underwriter relating to the offering memorandum. The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the offering memorandum, and set out the procedures performed at the underwriter's request and the results of performing those procedures.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200, subject to our receipt of a letter of representation from the underwriter regarding the offering memorandum which is satisfactory to us. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address in the comfort letter that could affect the outcome of the proposed offering of the convertible senior notes.

You acknowledge that we have no responsibility to you if the results of our procedures result in termination of, or change in, the proposed convertible senior notes offering. You also acknowledge that you have requested us to cooperate in every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures.

You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter.

We shall advise the underwriter that information acquired by them in our comfort letter is confidential and is to be used only in connection with the convertible senior notes offering referred to above.



Fees

Our fees will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted excluded applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

Level	Hourly rate
Partner	\$650
Senior Manager	\$450
Manager	\$350
Senior	\$225
Staff	\$150

Our estimated fees and schedule of performance are based upon, among other things, the assumption that all necessary information will be available to us on a timely basis and that the scope of our services is not expanded beyond those described herein. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

We very much appreciate the opportunity to provide services to the Company in respect of the offering memorandum and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.

Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.



ERNST & YOUNG

International Exempt Offering Memorandum

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

Yours very truly,

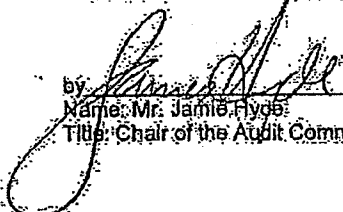
Ernst & Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

by 
Name: Mr. David Horsley
Title: Chief Financial Officer

Acknowledged on behalf of the
Company's Audit Committee:

by 
Name: Mr. Jamie Hyob
Title: Chair of the Audit Committee



Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, Client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client data and information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data, including personal information, to other EY Entities for the purposes of (i) rendering the Services, (ii) fulfilling EY Entities' professional obligations to manage conflicts of interest and to maintain auditor independence and (iii) implementing standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may process and store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both Client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from Client. Personal information is collected, used and disclosed by EY in accordance with EY's privacy policy, which is available at <http://www.ey.com/ca>.
6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or



authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to Client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed EY that Client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for Client's assertion of privilege (such as whether it claims solicitor-Client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from Client for the provision of audit services, other accounting services and non-audit services.

7. **Internet communications** - Unless otherwise agreed with Client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to Client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.
9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.



11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.
13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
 - (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
 - (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.



14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).
16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the



mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.

20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**November 17, 2009 International Exempt Offering
Memorandum engagement letter**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7
Tel: 604 691 3200
Fax: 604 643 5422
ey.com/ca

November 17, 2009

Mr. James Hyde
Chair of the Audit Committee
Sino-Forest Corporation
90 Burnhamthorpe Rd W., Suite 1208
Mississauga, ON, L5B 3C3

Re: International Exempt Offering Memorandum ("Offering Memorandum")

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the Offering Memorandum for Sino-Forest Corporation (the "Company") for the purposes of the international offering of common shares outside of Canada (the "Offering Memorandum"). Our partner, Linda Zhu, will have primary responsibility for this engagement.

Management of the Company and the underwriter bear the primary responsibility to ensure the Offering Memorandum contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 – *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the Offering Memorandum. Our consent is to be included in the Offering Memorandum.

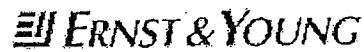
Audited financial statements

We have audited the balance sheets of the Company as at December 31, 2008 and 2007, and the statements of income and retained earnings, comprehensive income and cash flows for the years then ended. Our report to the shareholders on the comparative annual financial statements for the year ended December 31, 2008 was dated March 13, 2009 and is to be incorporated by reference in the Offering Memorandum. Our report to the directors of the company on the 2007 financial statements dated March 12, 2008 except as to notes 2, 18 and 23 which are as of July 17, 2008 will also be incorporated by reference in the Offering Memorandum.

In order to provide our consent to the use of our auditors' reports in the Offering Memorandum, it will be necessary for us to perform subsequent events review procedures with respect to the Offering Memorandum and any updates thereof, and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' reports in the Offering Memorandum that may require an adjustment to, or disclosure in, the audited financial statements or other information in the Offering

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Memorandum that is derived from such financial statements. We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited interim financial statements

Comparative interim financial statements for the most recently completed financial period are incorporated by reference in the Offering Memorandum. In order to consent to the use of our auditors' report in the Offering Memorandum described above, our professional standards require that we carry out certain procedures including a review of the Company's interim financial statements for the three and nine months ended September 30, 2009 and 2008 and any other interim financial statements that may be issued and incorporated by reference in the Offering Memorandum. We have reviewed the interim consolidated financial statement for the three and nine month period ended September 30, 2009 and 2008 and provided our report thereon to the audit committee of Sino-Forest Corporation. In order for the interim financial statements for the three and nine months period ended September 30, 2009 and 2008 to be incorporated by reference in the Offering Memorandum, we will have to complete additional subsequent event review procedures.

If the final Offering Memorandum is delayed, the company may determine that it is necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2009 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the Offering Memorandum, we will provide a written report on our review thereof to be included in the Offering Memorandum.



Other information in the Offering Memorandum

In addition to financial statements, the Offering Memorandum includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the Offering Memorandum in accordance with the guidance in CICA Section 7500.

If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the Offering Memorandum, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by other parties

Upon the request of the underwriter, we will issue the following letters:

Upon filing the preliminary prospectus:

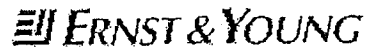
- (i) An unsigned comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the Offering Memorandum;

Upon filing the final prospectus:

- (i) Consent letters addressed to the underwriter, in which we give our consent to the use of our report in the Offering Memorandum;
- (ii) A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included in the Offering Memorandum;

Upon closing of the prospectus:

- (i) An updated comfort letter addressed to the Directors of the Company and the underwriter.



Auditor assistance to the underwriter

We understand that the underwriter wishes for us to perform certain procedures for the purpose of issuing a comfort letter to the underwriter relating to the Offering Memorandum. The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the Offering Memorandum, and set out the procedures performed at the underwriter's request and the results of performing those procedures.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200, subject to receipt of a letter of representation from the underwriter regarding the Offering Memorandum which is satisfactory to us. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address in the comfort letter that could affect the outcome of the proposed offering of securities.

You acknowledge that we have no responsibility to you if the results of our procedures result in termination of, or change in, the proposed securities offering. You also acknowledge that you have requested us to cooperate in every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures.

You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter.

We shall advise the underwriter that information acquired by them in our comfort letter is confidential and is to be used only in connection with the securities offering referred to above.



Fees

Our fees will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted excluded applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

Level	Hourly rate
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Our estimated fees and schedule of performance are based upon, among other things, the assumption that all necessary information will be available to us on a timely basis and that the scope of our services is not expanded beyond those described herein. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates.

We very much appreciate the opportunity to provide services to the Company in respect of the Offering Memorandum and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.

Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.



To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

Yours very truly,

Ernst & Young LLP

Chartered Accountants

Agreed:
Sino-Forest Corporation

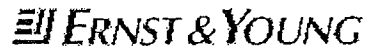
by [Signature]
Name: Mr. David Horsley
Title: Chief Financial Officer

I have the authority to bind the Company.

Acknowledged on behalf of the
Company's Audit Committee:

by [Signature]
Name: Mr. Jamie Hyde
Title: Chair of the Audit Committee

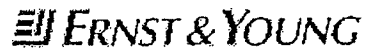
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Terms and conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

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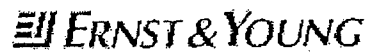


6. **Auditor oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to Client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, Client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of Client, EY will advise Client of the request or order.

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8. **Right to terminate services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, Client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event Client fails to pay any amount required to be paid under this Agreement.



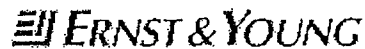
9. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to Client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
10. **Billing and taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by Client without deduction from the fees, expenses and charges hereunder.
11. **Governing law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
12. **EY reports** - EY retains all copyright and other intellectual property rights in everything created by EY before or during the course of an engagement, including all EY reports, advice or other EY communications of any kind ("EY Reports") and all methodologies, tools, systems, software and working papers created by EY. Any EY Reports are intended solely for the purpose described in the engagement letter or contract to which these terms and conditions are attached. Except as otherwise specifically agreed in such engagement letter or contract Client shall not refer to EY or reproduce, quote or refer to any EY Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY assumes no duty, obligation or responsibility whatsoever to any third parties that obtain access to an EY Report (i.e. parties other than those to whom an EY Report is addressed). Any services or procedures performed for Client will not be planned or conducted (i) in contemplation of reliance by third parties (ii) with respect to any specific transactions contemplated by third parties or (iii) with respect to the interests or requirements of third parties. Client may not rely on any draft EY Report.



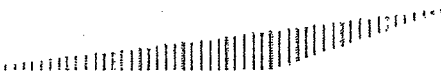
13. **Limitation of liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), breach of statute, strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or in solidum and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
 - (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
 - (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph (c) shall not limit liability for death, bodily injury, physical damage to tangible property, fraud or wilful misconduct.

For the purposes of this section ("Limitation of Liability"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

14. **Global resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim (whether in contract, tort, or otherwise) against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
15. **No application** - The preceding two sections (Limitation of Liability, Global Resources) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).



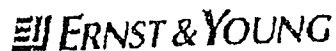
16. **Solicitation and hiring of EY personnel** - EY's independence could be compromised if Client were to hire certain EY personnel. Without the prior written consent of EY, Client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY Entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to Client at any time since the date of filing of Client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if Client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by Client's first such financial statements), or in the 12 months preceding that date.
17. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
18. **Legal proceedings** - In the event EY is requested by Client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for Client, and provided that EY is not a party to the legal proceedings, Client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
19. **LLP status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.



EY ERNST & YOUNG

20. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and Client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by Client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed Client Data & Information, Confidentiality, Auditor Oversight, Limitation of Liability, Global Resources, Solicitation & Hiring of EY Personnel, and Legal Proceedings. This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**September 28, 2010 offering memorandum engagement letter for
Guaranteed Senior Notes due 2017**



Ernst & Young LLP
Chartered Accountants
Ernst & Young Tower
222 Bay Street, P.O. Box 251
Toronto, Ontario M5K 1J7
Tel: 416 864 1234
Fax: 416 864 1174
ey.com/ca

28 September 2010

Mr. David Horsley
Chief Financial Officer
Sino-Forest Corporation
90 Burnhamthorpe Rd. W., Suite 1208
Mississauga, Ontario L5B 3C3

Offering Memorandum

Dear Mr. Horsley:

This will confirm the engagement of Ernst & Young LLP ("we" or "EY") to perform services in respect of the Offering Memorandum for Sino-Forest Corporation (the "Company") for the offer to issue \$500,000,000 Guaranteed Senior Notes due 2017 (the "Senior Notes"). Our partners, Fred Clifford and Josephine Man, will have primary responsibility for this engagement.

Management of the Company and the underwriter bear the primary responsibility to ensure the Offering Memorandum contains no misrepresentations. Our procedures with respect to this engagement will be performed in accordance with our professional standards as set out in CICA Section 7110 - *Auditor Involvement with Offering Documents of Public and Private Entities*, and other requirements as set out hereunder. These procedures are designed to enable us to issue our consent to the use of our auditors' report to demonstrate to readers that we have been involved with the Offering Memorandum. Our consent is to be included in the Offering Memorandum.

Audited financial statements

We have audited the balance sheets of the Company as at 31 December 2009, 2008 and 2007, and the statements of income, retained earnings and cash flows for each of the years then ended. Our reports to the shareholders was dated 15 March 2010 on the financial statements for the years ended 31 December 2009 and 2008, and 13 March 2009 on the financial statements for the years ended 31 December 2008 and 2007. Our auditors' report for the years ended 31 December 2009 and 2008 and for the years ended 31 December 2008 and 2007 are to be incorporated by reference in the Offering Memorandum.

In order to provide our consent to the use of our auditors' report in the Offering Memorandum, it will be necessary for us to perform subsequent events review procedures with respect to the Offering Memorandum and any updates thereof, and the closing of the offering. This work is expected to be comprised of limited enquiry and review procedures designed to provide assurance that management has identified events arising after the date of the auditors' report in the Offering Memorandum that may require an adjustment to, or disclosure in, the audited financial statements or other information in the Offering Memorandum that is derived from such financial statements.

[Handwritten signature]
Sept 28/10

We are also required to update our communications with the Company's legal counsel and obtain representations from management similar to those we customarily receive as part of our annual audit.

Unaudited Interim financial statements

Comparative Interim financial statements for the most recently completed financial period are incorporated by reference in the Offering Memorandum. In order to consent to the use of our auditors' report in the Offering Memorandum described above, our professional standards require that we carry out certain procedures including a review of the Company's Interim financial statements for the three and six month periods ended 30 June 2010 and 2009 and any other interim financial statements that may be issued and incorporated by reference in the Offering Memorandum. We have reviewed the interim consolidated financial statements for the three and six month periods ended 30 June 2010 and 2009 and provided our report thereon to the audit committee of the Company. In order for the interim financial statements for the three and six month periods ended 30 June 2010 and 2009 to be incorporated by reference in the Offering Memorandum, we will have to complete additional subsequent event review procedures.

If the Offering Memorandum is delayed, the Company may determine that it is necessary to update the interim financial statements. If such is the case, then we would have to perform additional review procedures on the updated unaudited interim financial statements.

The review procedures we carry out are significantly less extensive than an audit and would not necessarily reveal matters requiring adjustments to or disclosures in the interim financial information. Further, adjustments and disclosures may later be determined to be necessary as a result of our subsequent audit of the 2010 financial statements that include such interim periods. Accordingly, the review procedures do not result in the expression of an audit opinion on the interim financial statements.

If information comes to our attention which leads us to question whether the interim financial statements are materially in error or not in accordance with generally accepted accounting principles, we will inform you and discuss what further action is required.

If as a result of our work we are required to express a reservation in our report on our review of the unaudited interim financial statements to be incorporated by reference in the Offering Memorandum, we will provide a written report on our review thereof to be included in the Offering Memorandum.

Other Information in the Offering Memorandum

In addition to financial statements, the Offering Memorandum includes other financial information and information of a non-financial nature. As such other information may be relevant to the financial statements and our audit or review thereof, we will perform procedures to determine whether this other financial and non-financial information is consistent with the audited and unaudited financial statements in the Offering Memorandum in accordance with the guidance in CICA Section 7500.



If we become aware of information that, although not inconsistent with the financial statements, appears to constitute a misrepresentation when reading the Offering Memorandum, we will discuss the matter with management or with the Company's legal counsel, with the consent of management. We may wish to receive written confirmation from legal counsel of their view on the matter. In the event that the apparent inconsistency is not resolved to our satisfaction, we will advise the Audit Committee and consider whether our consent may be provided.

Communications required by other parties

Upon the request of the underwriter, we will issue the following letters:

Upon completion of the Offering Memorandum:

- A consent letter addressed to the underwriter, in which we give our consent to the use of our report in the Offering Memorandum.
- A comfort letter addressed to the Directors of the Company and the underwriter expressing assurances with respect to specified financial information included or incorporated by reference in the Offering Memorandum.

Upon closing of the offering:

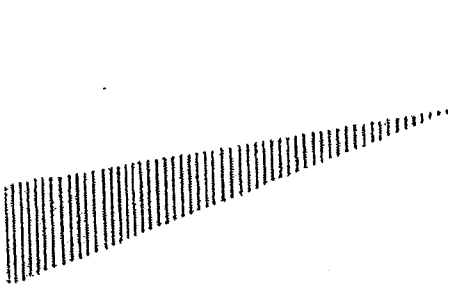
- A bring-down letter addressed to the Directors of the Company and the underwriter.

Auditor assistance to the underwriter

We understand that the underwriter wishes for us to perform certain procedures for the purpose of issuing a comfort letter to the underwriter relating to the Offering Memorandum. The comfort letter would make reference to our auditors' report and our review of the unaudited interim financial statements incorporated by reference in the Offering Memorandum, and set out the procedures performed at the underwriter's request and the results of performing those procedures.

We will provide a comfort letter to the underwriter which we will prepare in accordance with the guidance contained in CICA Section 7200, subject to our receipt of a letter of representation from the underwriter regarding the Offering Memorandum which is satisfactory to us. We will advise you of the matters on which the underwriter is seeking comfort and the procedures they are requesting. As the Company, not the underwriter, will bear the cost of preparing the comfort letter, we will discuss with you the practicality and effectiveness of the requested procedures in providing the desired comfort.

[Handwritten signature]
September 2010



In accordance with professional standards, our audit was carried out solely for the purpose of providing us with sufficient appropriate audit evidence to support our opinion on the financial statements referred to above. There is no assurance that the procedures we perform for purposes of the comfort letter will address all of the questions that the underwriter and the underwriter's legal counsel may have. You should be aware that there could be sensitive matters that the underwriter and the underwriter's legal counsel may ask us to address in the comfort letter that could affect the outcome of the proposed offering of the convertible senior notes.

You acknowledge that we have no responsibility to you if the results of our procedures result in termination of, or change in, the proposed convertible senior notes offering. You also acknowledge that you have requested us to cooperate in every way with the underwriter and the underwriter's legal counsel, by performing the requested procedures.

You also agree to indemnify and hold harmless all members of the engagement team and Ernst & Young LLP from any claim by the underwriter and the underwriter's legal counsel, or any other third party, that arises as a result of our comfort letter.

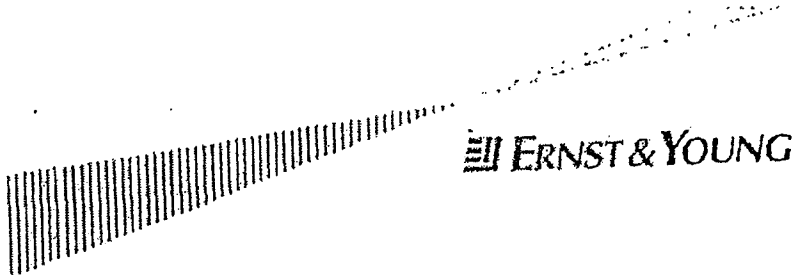
We shall advise the underwriter that information acquired by them in our comfort letter is confidential and is to be used only in connection with the convertible senior notes offering referred to above.

Fees

Our fees which will be billed as work progresses are based on the amount of time required. Payment in full should be made within 30 days of the date each billing is received. Hourly rates for our professionals for this engagement, in Canadian dollars, are set out below. All fees and rates quoted exclude applicable taxes. Direct out-of-pocket expenses will be invoiced to you at our cost.

<u>Level</u>	<u>Hourly rate</u>
Partner	\$650
Senior Manager	\$450
Manager	\$350
Senior	\$225
Staff	\$150

We very much appreciate the opportunity to provide services to the Company in respect of the Offering Memorandum and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. Please let us know immediately if you have any concerns about the terms of engagement as described in this letter.



ERNST & YOUNG

28 September 2010 5

Additional terms and conditions are attached and form an integral part of this engagement letter; they govern our respective rights and obligations arising out of this engagement.

To confirm these arrangements as outlined are in accordance with your requirements and are acceptable, please sign one copy of this letter in the space provided and return it to us.

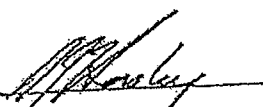
Sincerely,

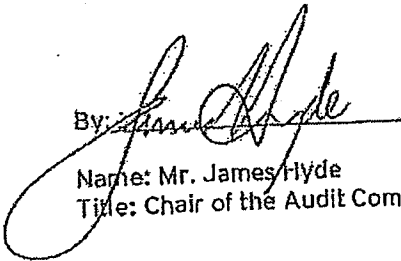
Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Agreed:
Sino-Forest Corporation

Acknowledged on behalf of the
Company's Audit Committee:

By: 
Name: Mr. David Horsley
Title: Chief Financial Officer

By: 
Name: Mr. James Hyde
Title: Chair of the Audit Committee

Handwritten signature and date: 28/9/10

General Terms and Conditions

Our relationship with you

1. We are a member of the global network of Ernst & Young firms ("EY Firms"), each of which is a separate legal entity.
2. We may subcontract portions of the Services to other EY Firms, who may deal with you directly. Nevertheless, we alone will be responsible to you for the Report(s), the performance of the Services, and our other obligations under this Agreement.

Your responsibilities

3. You shall be responsible for your personnel's compliance with your obligations under this Agreement.

Our reports

4. You may not rely on any draft Report.

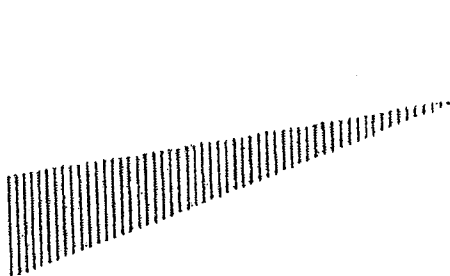
Notice re: Québec

5. From time to time, we may have individual partners and employees performing the Services within the Province of Québec who are members of the *Ordre des comptables agréés du Québec*. Any individual member of the *Ordre des comptables agréés du Québec* performing professional services hereunder assumes full personal civil liability arising from the practice of his or her profession, regardless of his or her status within our partnership. He or she may not invoke the liability of our partnership as a ground for excluding or limiting his or her own liability. The limitations that follow below under the heading "Limitations" shall therefore not apply to limit the personal civil liability of members of the *Ordre des comptables agréés du Québec* (and with respect to such members, such limitations shall be deemed to not be included in this Agreement).

Limitations

6. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, any amount with respect to loss of profit, data or goodwill, or any other consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this Agreement or otherwise relating to the Services, whether or not the likelihood of such loss or damage was contemplated.
7. You (and any others for whom Services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, aggregate damages in excess of the greater of (i) the total fees paid to us for the Services and (ii) \$1,000,000. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations.

AP
September 2010



- 8. If we are liable to you (or to any others for whom Services are provided) under this Agreement or otherwise in connection with the Services, for loss or damage to which any other persons have also contributed, our liability to you shall be several and not joint and several, solidary or *in solidum*, with such others, and shall be limited to our fair share of that total loss or damage, based on our contribution to the loss and damage relative to the others' contributions. No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for the loss or damage or any portion thereof, affect any such assessment.
- 9. You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware (or ought reasonably to have become aware) of the facts giving rise to any alleged such claim and in any event, no later than two years after the completion of the particular Services (and the parties agree that the limitation periods established by the *Limitations Act, 2002* (Ontario) or any other applicable legislation shall be varied and/or excluded accordingly). This limitation will not apply to the extent prohibited by applicable law or professional regulations.
- 10. You may not make a claim or bring proceedings relating to the Services or otherwise under this Agreement against any other EY Firm or our or its subcontractors, members, shareholders, directors, officers, partners, principals or employees ("EY Persons"). You shall make any claim or bring proceedings only against us. The limitations in Sections 6 through 9 and this Section 10 are intended to benefit the other EY Firms and all EY Persons, who shall be entitled to rely on and enforce them.

Indemnity

11. To the fullest extent permitted by applicable law and professional regulations, you shall indemnify us, the other EY Firms and the EY Persons against all claims by third parties (including your affiliates) and resulting liabilities, losses, damages, costs and expenses (including reasonable external and internal legal costs) arising out of or relating to the Services or this Agreement. On behalf of yourself and your affiliates, you release us, the other EY Firms and the EY Persons from all claims and causes of action (together, "Claims"), pending or threatened, that you or they may have arising out of the Services or this Agreement to the extent such Claims result from or arise out of any misrepresentation or fraudulent act or omission by you, your employees or agents on your behalf.

Confidentiality

12. We follow professional standards of confidentiality and will treat information related to you disclosed to us by you or on your behalf ("Client Information") as set forth in the Rules of Professional Conduct of provincial Institutes of Chartered Accountants or the Code of Ethics of the *Ordre des comptables agréés du Québec* (as applicable).

TAB 3

**April 16, 2008 audit engagement letter for Sino-Panel Asia Inc. for
year ended December 31, 2007**



Ernst & Young LLP
Chartered Accountants
Pacific Centre
700 West Georgia Street
P.O. Box 10101
Vancouver, British Columbia V7Y 1C7

Phone: 604 891-8200
Fax: 604 643-5422

253

April 16, 2008

Sino-Forest Corporation
90 Burnhamthorpe Road W., Suite 1208
Mississauga, ON
L5B 3C3
Attention: Mr. Jamie Hyde, Chairman of the Audit Committee

Dear Mr. Hyde:

1. This engagement letter, including any additional terms that are attached, (collectively, the "Agreement") confirms the terms upon which Ernst & Young LLP ("we" or "EY") has been engaged to perform an audit and report on the consolidated financial statements of **Sino-Panel Asia Inc.** (the "Company") for the year ended December 31, 2007. The services described in this paragraph may hereafter be referred to as either "Audit Service" or "Audit Services."

Audit Responsibilities and Limitations

2. The objective of our audit is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with Canadian generally accepted accounting principles.
3. We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance that the consolidated financial statements taken as a whole are free of material misstatement whether caused by error, fraud or illegal acts whose consequences have a material effect on the consolidated financial statements. There are inherent limitations in the audit process, including, for example, the use of judgment and selective testing of the data underlying the financial statements, the inherent limitations of internal controls, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Also, an audit is not designed to detect error or fraud that is immaterial to the consolidated financial statements.



4. As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the Company's internal controls over financial reporting. This consideration will not be sufficient to enable us to provide assurance on the effectiveness of internal controls over financial reporting or to identify all significant weaknesses.
5. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Audit Committee. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Audit Committee. We will also determine that the Audit Committee is adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Audit Committee and appropriate members of management of significant audit adjustments and significant weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit procedures, as well as related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.
6. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the Company's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.
7. In accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Audit Committee any relationships between Ernst & Young LLP, its partners and professional employees and **Sino-Panel Asia Inc.** (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to **Sino-Panel Asia Inc.**



Management's Responsibilities and Representations

8. The preparation and fair presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the Company. Management also is responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

9. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the Company's management, as is an assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud. Management of the Company is responsible for apprising us of all known instances of fraud, suspected fraud, illegal or possibly illegal acts and allegations involving financial improprieties received by management or the Audit Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers," employees, former employees, analysts, regulators or others), and for providing us full access to information and facts relating to these instances and allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading EY, or other allegations of illegal acts or fraud that could have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the Company. If the Company limits the information otherwise available to us under this paragraph (based on the Company's claims of solicitor/ client privilege, litigation privilege, or otherwise), the Company will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may alter the form of report we may issue on the Company's financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future Company filings; or otherwise affect our ability to continue as the Company's auditors. The Company and we will disclose any such withholding of information to the Audit Committee.

10. Management of the Company is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; information relating to any illegal or possibly illegal acts, and all facts related thereto; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.



11. Management of the Company is responsible for adjusting the consolidated financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unrecorded audit differences accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

12. As required by Canadian generally accepted auditing standards, we will make specific inquiries of management about the representations contained in the consolidated financial statements. Management is responsible for affirming to us in its representation letter and providing us with information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:
 - its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the consolidated financial statements or used to support amounts in the consolidated financial statements;
 - any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA Handbook Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the Company's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Company is contingently liable;
 - information on whether the Company has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the consolidated financial statements; and
 - information concerning subsequent events.

13. At the conclusion of the audit, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the consolidated financial statements; matters that are not directly related to items that are material to the consolidated financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the consolidated financial statements. The responses to the inquiries of management, the written representations from management and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the consolidated financial statements.



14. Management of the Company is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly, as further described in the attached additional Terms and Conditions (refer to the provision captioned "*Auditor Oversight*").

Fees and Billings

15. Our fees will be billed as work progresses are based on the time required at our billing rate, being \$220 per hour, plus expenses. However, our actual fee may exceed the top of this range. Payment of our invoices will be made upon receipt.
16. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the Company's records and the representations Company personnel have made to us and are dependent upon the Company's personnel providing a reasonable level of assistance. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the audit fee referred to above and may be the subject of other written agreements.

Other Matters

17. By your signature below, you confirm that the Company, through its Board of Directors, has expressly authorized you to enter into this Agreement with us on behalf of, and to bind, the Company.
18. The attached additional Terms and Conditions form an integral part of this engagement letter and govern our respective rights and obligations arising therefrom.



EY appreciates the opportunity to be of assistance to the Company. If this Agreement accurately reflects the terms on which the Company has agreed to engage EY, please sign below on behalf of the Company and return it to Linda Zhu, Engagement Partner, 700 West Georgia Street, P.O. Box 10101, Vancouver BC, V7Y 1C7.

Yours very truly,

Ernst + Young LLP

Acknowledged and agreed:
Sino-Forest Corporation

Jamie Hyde

Jamie Hyde
Chairman of the Audit Committee

April 24/08

Date



Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract to which these terms and conditions are attached (collectively, the "Agreement") the following additional terms and conditions shall apply. As used herein "EY" refers to the Canadian firm of Ernst & Young LLP. "EY Entities" means EY, all members of the global Ernst & Young network, Ernst & Young Global Limited, and any of their respective affiliates (and "EY Entity" means any one of them).

1. **Services** - EY shall exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services").
2. **Unexpected Events** - If changes to the scope or timing of any Services are required because of a change in applicable law or professional standards or events beyond a party's reasonable control, but not involving its fault or negligence (any of which, a "Change"), the parties agree to adjust the fees for, and/or timing of, the Services appropriately and, if necessary, client will obtain Audit Committee approval of such adjustments. Each party shall be excused from default or delay in the performance of its obligations (other than payment obligations) under this Agreement to the extent caused by a Change.
3. **Client Data & Information** - Client will provide, or cause to be provided, to EY in a timely manner complete and accurate data and information ("Client Data") and access to resources as may be reasonably required by EY to perform the Services. EY may disclose Client Data to other EY Entities for the purpose of rendering the Services. EY may also disclose Client Data to other EY Entities for the purposes of fulfilling its professional obligations to manage conflicts of interest and to maintain auditor independence as well as to implement standardized performance recording and documentation systems within the global Ernst & Young network. EY Entities or their service providers may store Client Data, which may include personal information, outside of Canada.
4. **Confidentiality** - Subject to the other terms of this Agreement, both client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other.
5. **EY Waiver Re: Tax Advice** - Notwithstanding any confidentiality obligations or other restrictions on disclosure contained in this Agreement, with regard to:
 - (a) any oral or written statement or advice related to taxes provided by EY with regard to a person or entity that:
 - (i) has any filing obligation with the US Internal Revenue Service, or
 - (ii) qualifies as a US Controlled Foreign Corporation (i.e., a non-US corporation that has US shareholders (US persons that directly or indirectly own 10% or more of the total combined voting power of all of the classes of stock of such non-US corporation) that own in the aggregate more than 50% of the total vote or value of such non-US corporation);
 - (b) any oral or written statement or advice regarding US taxes or tax advice related to a transaction that could affect a US tax; or



- (c) where SEC audit independence restrictions apply to the relationship between client and any EY Entity, any oral or written statement or advice to client as to any potential tax consequences that may result from a transaction or the tax treatment of an item, (together, (a), (b) and (c) referred to as "Tax Advice"),

EY expressly authorizes client to disclose to any and all persons, without limitation of any kind, any such Tax Advice, including any fact that may be relevant to understanding such Tax Advice, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to such Tax Advice. However, because the Tax Advice is solely for the benefit of client and is not to be relied upon by any other person or entity, client shall inform those to whom it discloses any such information that they may not rely upon any of it for any purpose without EY's prior written consent.

6. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from client.
7. **Auditor Oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of client, EY will advise client of the request or order. When a regulatory authority requests access to EY's working papers and other work-product relating to client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which client has expressly informed EY that client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute/Order of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for client's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege). EY will also be required to provide information relating to the fees that EY collects from client for the provision of audit services, other accounting services and non-audit services.
8. **Internet Communications** - Unless otherwise agreed with client, EY and other EY Entities may correspond by means of the Internet or other electronic media or provide information to client in electronic form. There are inherent risks associated with the electronic transmission of information on the Internet or otherwise. EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement and cannot guarantee that transmissions or other electronic information will be free from infection by viruses or other forms of malicious software.
9. **Right to Terminate Services** - Subject to any applicable professional standards and legislation, either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, client will be invoiced for time



and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event client fails to pay any amount required to be paid under this Agreement.

10. **Expenses** - Client shall reimburse EY for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
11. **Billing & Taxes** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice. The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by client without deduction from the fees, expenses and charges hereunder.
12. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
13. **EY Reports** - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of an engagement ("Reports"), although client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "*EY Waiver Re: Tax Advice*" above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, except as otherwise specifically agreed in the engagement letter into which these terms and conditions are incorporated client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed for client were not planned or conducted (i) in contemplation of reliance by particular third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties. Client may not rely on any draft Report.



14. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), strict liability, failure of essential purpose or otherwise,

- (a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
- (b) in no event shall either party be liable to the other for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, even if the relevant party has been advised of the likelihood of such damages; and
- (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph shall not limit EY's liability for death, bodily injury or physical damage to tangible property caused by the negligent acts or omissions of EY, and shall not limit EY's liability for loss or damage caused by the fraud or wilful misconduct of EY.

For the purposes of this section ("*Limitation of Liability*"), the term EY includes all other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity.

15. **Global Resources** - EY may use the services of personnel from other EY Entities to assist it in providing the Services. EY shall be solely responsible for the performance of the Services and all of the other liabilities and obligations of EY under this Agreement whether or not performed, in whole or part, by EY, any other EY Entity, or any subcontractor or personnel of any EY Entity. Client and its affiliates or other persons or entities for or in respect of which any of the Services are provided shall have no recourse, and shall bring no claim, against any EY Entity other than EY, or against any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity, or any of their respective assets, in connection with the performance of the Services or otherwise under the Agreement. Other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.

16. **No Application** - The preceding two sections (*Limitation of Liability*, *Global Resources*) shall not apply to the extent prohibited by applicable law or regulation (including for these purposes applicable rules and interpretations of the US Securities and Exchange Commission relating to auditor independence and any applicable rules or guidance from a provincial Institute/Order of Chartered Accountants having jurisdiction).

17. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if client were to hire certain EY personnel. Without the prior written consent of EY, client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to client at any time since the date of filing of client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if client has not



previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by client's first such financial statements), or in the 12 months preceding that date.

18. **Severability** - In the event any provision of this Agreement is determined to be invalid, illegal or unenforceable, in whole or in part, such provision shall be deemed severed from this Agreement to the extent required and the remainder of this Agreement shall remain in full force and effect.
19. **Legal Proceedings** - In the event EY is requested by client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for client, and provided that EY is not a party to the legal proceedings, client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
20. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by any provincial Institute/Order of Chartered Accountants.
21. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This Agreement may not be assigned in whole or in part by client without EY's prior written consent, not to be unreasonably withheld. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Client Data & Information*, *Confidentiality*, *EY Waiver Re: Tax Advice*, *Auditor Oversight*, *Limitation of Liability*, *Global Resources*, *Solicitation & Hiring of EY Personnel*, and *Legal Proceedings*. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, other EY Entities and any subcontractors, members, shareholders, directors, officers, managers, partners or employees of EY or any other EY Entity. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings.

**April 16, 2008 audit engagement letter for Sino-Wood Partners,
Limited for year ended December 31, 2007**